

FAR EASTERN ECONOMIC REVIEW

Vol. XXIII

Hongkong, October 31, 1957

No. 18

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MALAYA'S INDUSTRIAL FUTURE

No country in South-East Asia today has a deeper appreciation of the benefits of encouraging industrial enterprise than Malaya. This view is reinforced by Government proposals which show that Malaya intends to attract as much investment capital as possible; consistent with the need to promote local industry. It is a further indication that independence has not changed the Malayan Government's fundamental approach to matters of finance, economy or business. Ill-considered meddling with the economy could in fact be disastrous, but this is not likely in the new dispensation. Instead Malaya is to continue as it has done for many years on a basis of an expanding economy in which private enterprise is allowed considerable scope.

This is the pattern that Britain established 75 years ago when by treaty the British Government first entered Malaya charged with the task of developing the country to modern standards. It is a policy that has served Malaya extremely well. The giant rubber industry in which millions of pounds of British capital was sunk earlier in this century is now the mainstay of the Malaya economy. Without the rubber industry, Malaya as it is known today would not exist nor would the excellent rail and road system, nor the development of scores of towns and villages which has followed. This investment still continues, though not in new rubber estates but in re-conditioning existing estates by planting high yielding rubber. It is estimated that estate companies spent over M\$50 millions last year.

The tin industry has a similar story to tell of vast amounts of capital invested. The ventures have proved highly profitable to Malaya and have enabled the country to be developed at a far greater speed than most South-East Asian territories. Virtually all the tin dredges are today owned by British companies. The cost of one dredge of modern design is today estimated at M\$12 mil-

lions. There has also been a considerable investment in business generally which in itself has ultimately led to fresh investment in Malaya so that today there are dozens of flourishing minor industries.

In one of its first major statements on Malaya's industrial policy, the Malayan Government has reaffirmed the policy that in the Federation of Malaya it will in future be necessary to increase the rate of industrial development to provide employment. The Government has also agreed that it should be an object "of public policy" to create conditions which will help development. Briefly the plans for the future aim at encouraging and safeguarding investment in Malaya and the re-investment of local and overseas capital. This expansion will not be confined to secondary industries but will cover primary export industries. An official statement said, "The Government will welcome the assistance of overseas capital in such a development particularly in the field of industry in which local capital and technical knowledge are insufficient. The Government will specially welcome industrial projects in which overseas capital is associated with local capital."

Behind this statement of policy is a lively appreciation of the fact that, as with many Asian countries, the population is rising fast. There is little prospect of a check in the annual increase at the moment and no matter how fast industry develops it is unlikely to be in a position to offer jobs to all the young men who will want them. Malaya must expand unless it is to accept a fall in the standard of living. Expansion of industry, however, means an increased demand on the facilities that the country can offer, and this has already been allowed for in the country's first five-year development plan. Millions of dollars are to be spent on public utilities under the plan. This will be split up into M\$75 millions on roads, M\$60 millions on rail-

ways, M\$43 millions on ports, M\$55 millions on telecommunications, M\$80 millions on electricity and M\$70 millions on water supplies plus various amounts for other projects.

Malaya is firmly committed to proposals to spend extensively now in anticipation of getting a return in future years when industrial development expands the resources of the country. One of the most important features of the new plan for industrial development is the proposal for the Government to develop sites for industry. This would mean providing roads, sewerage, water and electricity on to the site, leaving the potential manufacturer with the task of building his factory. In some cases it is proposed to build factories which could be rented out. Tax relief for pioneer industries has been promised provided there are safeguards for local industry. But the Government has found itself unable to make a commitment about future taxation policy in other directions. Although it is not willing to give a blank cheque on taxation, the Government has given an assurance that fair compensation will be paid in the event of nationalisation and has promised that with overseas enterprises they will be allowed to remit dividends and repatriate capital "subject to normal exchange control." In line with this the Malayan Government plans shortly to open discussions with other Governments on assurances that might help foreign investment on a reciprocal basis. It is hoped that

these other countries will be willing to give encouragement to investment in the Federation.

Among other proposals which have been agreed by the Government are exemption or partial exemption from import duty on materials imported for manufacturing purposes, some measure of tariff protection, the establishment of a Tariff Advisory Committee to investigate applications for assistance and the establishment of an industrial research institute which would take note of the experiences of Ceylon. No detailed agreement on tariffs has yet been worked out, and may not be possible until the Tariff Committee has considered cases, but in no instance will the local manufacturer be given greater protection than is necessary to ensure a market in a reasonable period. In applying the policy the interests of the consumer, the revenue and the balance of payments position will be considered. Tariff protection will not shield the marketing of poor quality goods at excessive prices. The Government has agreed to continue its policy of using locally manufactured goods whenever possible.

The development policy contains no startlingly new proposals but read as a whole it gives a sure indication of the Government's attitude to industry. Malaya wants industry, capital and the interest of businessmen and there is every reason to think that the Malayan Government is willing to go out of its way to get it.

COLOMBO PLAN CONFERENCE

Another Colombo Plan Conference has ended, and the usual communique was issued full of resounding phrases by those who are more or less expert in window-dressing. The window is a large one and a lot of money has gone into its decoration. From the beginning of the Colombo Plan in 1950 to the middle of 1957, the total external aid under the plan amounted to US\$3,500 million, which is quite a lot of money. Of this the equivalent of about US\$1,000 m. had been given by the donor countries in the form of economic and technical assistance during the financial year just ended. The communique appeared anxious to assure a sceptical world that the economic problems in South-east Asia were "problems arising out of dynamic growth and expansion," while a little lower down it admitted that "sizeable trade deficits emerged in most of the countries of the region." It was explained that although agricultural production and industrial and mining output as well showed in general an upward trend, the value of exports failed to keep pace with the expansion in imports. Important contributing factors were the need for increased expenditure on imports for developmental purposes and domestic monetary expansion.

The trouble about a communique, which treats as a whole a vast geographical region of many different countries in as many different conditions, is that it fails to distinguish between countries where, as in India, development is outstripping resources and where, as in Indonesia, development is invisible. The longest and most perfervid speech was

delivered by the country with the poorest record of construction. It would do some of these special pleaders a lot of good if they would merely pay an extended visit to Hongkong just to see what can be done out of local resources and without outside aid, without any fancy Five Year Plans or any of the modern paraphernalia. What Hongkong could have done with the millions in aid given to others in S.E. Asia—seeing what she had done without going to anybody cap in hand—is hardly describable. So this busy port and industrial centre is entitled by its own constructive virtues to look quizzically at all this pother about aid and to scrutinise what has been the result of it.

The best suggestion so far has been that of the Straits Times, which suggested that a High Command or an Advisory Headquarters be created for the Colombo Plan. The absence of interference or guidance in the Plan was, it said, possibly not all the advantage it was reckoned to be—a reference *inter alia* presumably to India's second five year plan and the drain on sterling thereby occasioned. As things are nobody seems to be especially happy about it all; and as for political and ideological influence, the Soviet and China appear to do a lot better at practically no cost whatever to themselves. The major concession, which cost nothing, was the pious principle that South Asian nations should create a healthy atmosphere for private capital investment and that private investment continues to be of major importance in the economic growth of the region.

Two important proposals were both ignored in the final document. One was the old U.S. proposal to establish an Asian Nuclear Research Centre in the Philippines with contributions from participating nations. Apparently there were few takers. The other was the proposal put forward by Japan, but inspired by the U.S., for a U.S.-financed Asian Development Fund. Neither received sufficiently ardent support to justify discussion in detail at the closed Ministerial meetings. The conference emphasised that the great economic growth now in progress in wide areas of the world is resulting in an unprecedented demand for capital development; and that the widespread and increased demand for capital underlines the desirability for the countries of South Asia to pursue policies which serve to attract available capital, domestic and external. There was also a warning that unwise development of new industries may lead to a substantial increase in total import with the consequent great bulk of finance needed for the development, which must come from domestic sources.

Despatches say that underlying the conference was a difference of opinion on whether Asian development plans should be pushed ahead or tailored to fit resources. The difference arose primarily because of the concern of some Western nations that India might be pushing her second five year plan too fast. The leader of the British Delegation, at a fortnight's meeting of officials which preceded the Ministers' Conference, mentioned that Indian expenditures on her plan had reduced the foreign exchange holdings of the Sterling Bloc. A warning in more general terms was sounded by the British Ministerial delegate, Lord Reading, who told the Asian delegates that flexibility should be used in putting economic plans into practice to keep them within range of economic resources. This view was by no means restricted to the British Delegation. The Australian and the U.S. delegations also shared it to some degree. The opposite viewpoint was taken by Mr. Thomas MacDonald, the New Zealand Minister of External Affairs, who gave an optimistic appraisal of Asian economic plans and problems. In phrases which the communique recapitulated he said that the problems did not arise from despair or stagnation but "are indicative of an essentially dynamic growth"—which is undoubtedly true in the case of India especially. And he was also justified in adding that in part they reflect the confidence of the peoples of this great region in their own destiny.

The Indian delegate, Mr. Bhagat, who is the deputy Finance Minister, said that India now recognises that the road to development runs uphill; but those who considered her second five year plan to be too ambitious were asked to realise that even the immense effort involved in this second plan would not reduce unemployment or underemployment in the country. "All it is expected to do is to absorb a net addition to the labour force, so there is no further addition to the problem of unemployment."

Dr. Subandrio seemed to think that the peoples of South and South-east Asia had to depend more than all else on the "dynamic force" now emerging to ensure progress, overcome difficulties and outlive the periodic political and economic strains inherent to the newborn nations. He said this dynamic force was the main indigenous capital, apart from the natural wealth, with which the new Asian nations in general had to start their national life. But the achievements obtained through expert aid and the investment of human skill "will prosper only if sufficient capital is provided to set up industries and other enterprises which can absorb this human skill. Otherwise human skill alone will not prevent stagnation in our economic progress." He referred to Lord Reading's advice on domestic savings but said that in terms of capital for industry the sum total was

negligible. Of course some physically sacrificed consumption of daily needs in order to build up basic industries.

"The annual increase of three per cent in our national income during the first five year plan is very low indeed," said Dr. Subandrio, "and this has invited criticism and ridicule from other countries, friendly to us, but not sitting around this table." On the other hand, Indonesia was convinced that this rather slow process is the safest way to reach quick progress during the second five year plan in which she could pay more attention to the acceleration of basic industries. They all knew the classic conditions under which foreign or domestic private capital could alone flourish, and in that respect the Indonesian Government had introduced a bill for foreign investment to Parliament providing safeguards for foreign investment. But non-industrialised countries could never compete with others in attracting foreign private capital. One dollar cent drop in the price of rubber per pound means a decrease of the trade revenue of Indonesia of about U.S.\$15 m. a year. At one period the drop of rubber prices went about 10 to 15 dollar cents meaning a loss in trade revenue of about \$200 m. Rubber has not done so badly on the whole during the past few years, especially in relation to the immense development of synthetic rubber, which only the genuine concern for the interests of natural producers kept within bounds. That same concern may be enlisted in still greater helpfulness if need be.

But the stress laid by Dr. Subandrio on the need for a Colombo Development Fund or a Regional Bank does imply some measure of control. In making this suggestion, he said, he did not mean to "tax indefinitely the generosity of donor countries." Indeed there have already been hints about the strain on Sterling of India's ambitious second five year plan, which may well have to be cut down a bit as the Chinese plans have to be. The advantage of the plan whereby American capital, allied with Japanese technique and management on the spot, would develop the countries in urgent need of it lies precisely in the comparative assurance that the money would not go down the drain but would be directly applied to the purposes intended. Many Westerners are still much under the influence of what happened to their hopes when the Nationalists claimed to have unified China in 1927. In two years they had split in half, fought the biggest of all their civil wars up to then, and instead of concentrating on constructive ends developed a national anti-foreign and particularly anti-British agitation which engaged the whole vital material and spiritual resources of the ruling Party until it received its inevitable answer in the Mukden Incident and the seizure of the whole of Manchuria by Japan. There is a warning in this, especially in the light of the latest word from Djakarta on October 25 that a national campaign for the acquisition of West Irian (Dutch New Guinea) is to be organised "to spur the people's spirit."

At the same time critics in Singapore insist that the question now is how to make the Colombo Plan positively live. It is not now basically an economic affair; its success depends on what Asians think about it, or on whether they can be brought to think about it at all. The experts or economists who surround the Ministers do their work professionally, but their language "is not the language of the hut, the plantation and the tenement." The whole thing is too impersonal. Experts from the advanced countries are bound up with the system of introducing reforms and development from the top, and the question is whether it is not better to begin from the bottom, by the peasants' side. That seems to be the only sure way of getting basic development, on the land. The other system is good enough for industrial development.

PAPER MONEY IN MODERN CHINA (1900—1956)

COMMERCIAL BANKS AS ISSUERS OF NOTES: FOREIGN BANKS: COMMUNIST ISSUES

By E. KANN

PART XX

(164) CHIN SHEN BANK

Established 1913; had a paid-up capital of \$350,000 and a reserve fund of \$8,000 as of June 30, 1925. Sundry branches, *inter alia* also in Tientsin and Hankow. Head office at Taiyuan, Shansi Province.

Issued notes, particulars of which are not available. Owing to the Shansi-Fengtien war in the latter part of 1927, the bank suspended payment and closed its doors. As the notes could not be cashed, a financial panic developed in Shansi.

(165) YOUNG BROS. BANKING CORPORATION

Established in 1914 with head office at Chungking, Szechuen. Owing to continual unrest in that province, the head office was temporarily transferred to Hankow. Shanghai had a branch office. The concern was largely interested in the processing and export of China wool oil. It never issued banknotes in the common form, but merely in the shape of deposit receipts in small denominations, same not calling for interest. When forgeries appeared on the market, the bank withdrew its fiat money from circulation. The concern enjoyed excellent credit standing.

About 1936 the bank changed its name into Chui Shing Sheng Bank. Then its capitalization stood at \$2,000,000. In 1941 same was increased to \$4,000,000.

(166) FENGTIEN INDUSTRIAL BANK

Same issued banknotes for the three Manchurian provinces. In 1917 it circulated so-called Treasury Notes, calling for interest at the rate of 4% per annum, but when these fell due in 1919, the bank would not redeem them for lack of funds. Thereupon the Bank of China and the Bank of Communications had to come to the rescue of at least a portion of the issue. The total planned to be put into circulation was \$25,000,000, but this sum was not absorbed by the market. In 1924 the Mukden Industrial Bank was taken over by the Three Eastern Provinces Government Bank.

On the first banknotes issue the name of the institution in English was printed as "The Shing Yeh Bank, Fengtien". On the Treasury Notes the bank's name figures as "Mukden Bank of Industrial Development". The notes appeared in denominations of \$1, \$5 and \$10. One series was dated 2nd Year = 1913 and was printed by the Peiyang Printing Office. Another set was dated 7th Year (1918), same being printed by the American Banknote Co.

(167) THE NATIONAL INDUSTRIAL BANK OF CHINA

Although the establishment of this bank was authorized by Presidential Decree in 1915, it did not open for business before April, 1919. Originally the head-office was situated at Tientsin, but in 1931 it was moved to Shanghai. By the end of 1921 its paid-up capital stood at \$2,200,550.

Issued banknotes in denominations of \$1, \$5, \$10, \$50 and \$100, dated 1923.

When the severe 1935 crisis placed the bank into difficulties, it had a paid-up capital of \$3,507,000. The Ministry of Finance decided to assist the institution. By way of reorganization 85% of its capital was written off, so that only \$526,110 was left. Then the Government raised the new capital to \$4,000,000 by taking new shares for \$3,473,890. This move may have been necessitated as a preliminary to the authorities taking over the note-circulation of the bank, at which occasion a shortage in the reserves might have been divulged. These remarks refer equally to two other commercial banks which had to be assisted in a similar manner.

From the start the institution enjoyed the right to issue paper money. The same size of its note-circulation may be gleaned from the succeeding table:

End of	Dollars	Index
1921	110,171	100
1922	306,914	279
1923	601,865	546
1924	541,368	491
1925	3,500,267	3177
1926	7,334,549	6657
1927	7,565,427	6867
1928	11,247,016	10209
1929	17,036,242	15463
1930	28,308,000	25695
1931	24,350,216	22102
1932	35,860,485	32550
1933	40,000,680	36303
1934	43,500,818	39485
1935	44,463,421	40384

The last item is as of November 3, 1935 when, upon the initiation of the currency reform, the bank ceased to circulate its fiat money.

(168) CHIH PIEN BANK

Opened in 1915 in Yunnan Province, where it issued paper notes. These were readily accepted. Seemingly the bank had to close its doors during the second decade of the 20th century, for its name did no more appear in the list of Chinese banks.

(169) HSIN YEH SAVINGS BANK

Little is known about this institution, except that before the advent of the Republic, savings banks were somewhat premature in China. So it is not to be wondered at that this particular institution did not survive. Notes were issued by the Hsin Yeh Savings Bank, of which the \$1 denomination was examined by the author. One of such notes was dated Hankow, the other one being inscribed Ching-kiang; both were marked 1908.

(169a) SHUE CHANG KUNG TSE

A mining company, situated in Liuyang, Hunan Province. Issued notes in 1926 which called for 'big money'. Meant for the payment of wages to the miners. The author saw 4 denominations, namely 10, 20, 50 cents and 1 dollar.

The fact that 30 years after the date of issue these notes could be picked up at next to nothing seems to indicate that care for their redemption was absent.

(170) HUNAN PAO HSING MINERAL BANK

It is difficult to determine whether this was a public or private bank. It issued paper money dated 1912, of which the author examined the one-tael denomination. Same promised to pay to bearer on demand One Tael pure silver by the balance of Changsha. Other denominations extant were taels 3, 5 and 10.

(171) BANK OF TERRITORIAL DEVELOPMENT

Established in 1913 as a so-called 'special bank'. This means that it had the backing of Peking officials and promises for privileges. It had offices at Peking, Shanghai, Harbin, etc. When obtaining the privilege for a note-issue, the authorities specified that 40% of the reserves was to be kept in cash (including Bank of China notes) and 60% in securities. Seemingly the bank ignored these rational conditions, for already in 1916, the Shanghai branch failed to redeem its notes, culminating in the closure of the Shanghai office. At that time humorists coined a new and somewhat appropriate name for the bank, namely "Bank of Terrible Development". The sister branches declined to come to the rescue of the Shanghai branch; probably they themselves were hard-pressed. A few years afterwards, the bank had to close down everywhere, leaving a considerable quantity of fiat money unredeemed.

(172) SIN CHUNG BANK

This was a so-called native bank issuing notes during the imperial regime. Its capital was \$1,000,000 of which one-half was paid up. Head office was situated at Shanghai, with branches at Nantung, etc. On the obverse is to be seen the effigy of a Chinese mandarin, while on the left of the note the bank's modern building is depicted. The notes emitted at Shanghai were undated, but the Nantung emission displayed 1908 as date. The total issue of such fiat money was estimated at \$1,000,000 in denominations of \$1, \$5 and \$10. The bank does no more exist, but the date of its closure and the fate of outstanding paper is not known to the author.

(173) THE AGRICULTURAL AND INDUSTRIAL BANK OF CHINA

Started business at Peking in 1918 with a capital of \$200,000 which was to be contributed by the Government. Owing to a chronic shortage of funds at that time the promised capital was not forthcoming, so that in 1920 all the shares were offered to the public for private subscription. Subsequently the capital was raised to \$1,000,000 in 1926, and by degrees to \$3,190,000 by 1931. In 1935 it stood at \$5,000,000.

In 1927 the bank obtained the right to issue banknotes in denominations of \$1, \$5 and \$10. It was in 1928 that the Ministry of Finance granted the Tientsin office the privilege to issue 10 and 20-cents subsidiary paper up to \$350,000 nominal. The head office was transferred to Shanghai in 1931. The note-issue stood as follows:

End of	Dollars	Index
1927	281,293	100
1928	425,955	146
1929	337,100	116
1930	847,400	291
1931	1,872,900	643
1932	4,709,600	1617
1933	10,224,767	3510
1934	12,225,547	4197
1935	8,344,000	2966

As was the case with the other commercial banks, this institution stopped its note-issue after November 3, 1935.

(174) THE CHINA AND SOUTH SEA BANK

Was established in 1921 with head-office at Shanghai. By 1924 its paid-up capital amounted to \$7,500,000, at which figure it still stood in 1943. Granted the privilege of a note-issue, the institution associated with the Kinchong Bank, the Yen Yih Commercial Bank (Salt Bank) and the Continental Bank in connection with the circulation of fiat money and the maintenance of the requisite reserves. The amount of banknotes placed into circulation in denominations of \$1, \$5, \$10, \$50 and \$100 at Shanghai and its branches stood at the close of the year as follows:

End of	Dollars	Index
1923	14,071,540	100
1924	12,743,850	91
1925	14,514,057	103
1926	15,420,762	110
1927	17,339,379	123
1928	29,645,905	211
1929	33,120,336	235
1930	49,184,656	350
1931	35,813,752	255
1932	32,307,857	230
1933	36,871,837	262
1934	40,254,300	286
1935	72,282,000	514

In common with other commercial banks the China and South Sea bank had to terminate its note issue after November 3, 1935.

Although the note-emission of the China and South Sea Bank came under the guarantee, and was for account of, the four banks syndicate, only the name of the China and South Sea Bank figured on the notes. The latter were at all times rather popular and were fully taken care of in the end.

(175) INDUSTRIAL DEVELOPMENT BANK OF CHINA

Was founded in 1920 with head-offices at Peking. In September of 1925 the bank's petition to issue subsidiary notes for altogether \$300,000 was granted by the Cabinet. The fiat money of this institution was produced by the Peking Bureau of Engraving and Printing in denominations of \$1, \$5 and \$10, dated 10th Year of the Republic (1921).

The bank also issued bonds in denominations of \$10, redeemable by annual drawings. The Nanking branch had to close its doors owing to runs on its coffers. Until November, 1926, the Industrial Development Bank of China redeemed its notes at Nanking, but thereafter it had to remain closed, due to lack of funds.

Originally branches were maintained at Tientsin, Shanghai, Nanking and Ningpo, but all these went out of existence. Paper money also was issued at Shanghai.

(176) BANK OF AGRICULTURE & COMMERCE

This bank was founded in Peking with a capitalization of \$10,000,000, of which \$1,730,000 was paid-up in 1926, and \$3,000,000 in 1936. By the end of 1923 its note-issue stood at \$895,420. In July, 1924, it replaced its old emission by newly designed paper money. In April of 1928 official permission was granted the bank to issue fiat money in denominations of \$1, \$5 and \$10.

In 1934, the Bank of Agriculture & Commerce began circulating its notes in Shanghai, whence the head-office was transferred. At the close of 1934 it had altogether \$1,813,000 in circulation, while its issue, at the close of October, 1935, (when it had to cease) was \$2,313,000.

(177) NATIONAL COMMERCIAL & SAVINGS BANK

Was opened in 1921 in Hongkong, with branches in Shanghai, Hankow and Canton. Capitalized at \$10,000,000, of which \$2,574,000 was paid up in 1935, the bank suspended payment in that year, but resumed business in 1936. In

the summer of 1926 the bank issued paper money at Shanghai (printed by the American Banknote Co.) in denominations of \$1, \$5, \$10, \$50 and \$100. However, these were withdrawn from circulation in the course of the succeeding years. By 1934 only \$14,285 was outstanding.

(175) THE MEIFENG BANK OF SZECHUEN

Opened originally in 1923 as a branch of the American Oriental Banking Corporation of Shanghai, but shortly thereafter it was incorporated as a separate unit under the laws of Connecticut under the above style. It is not evident whether the bank officially asked and obtained the privilege to issue paper money, or whether it merely continued the practice of its predecessor, who had been operating under American laws. In 1927 a run was made on the bank at Chungking. In 1932 Chinese interests bought out the American shares entirely. In 1928 the capitalization was raised to \$1,000,000, and in 1936 it was further increased to \$1,200,000. In 1948 the bank's capital (in terms of inflated money) stood at \$20,000,000. By that time the institution enjoyed a very good reputation. Its note circulation, which ended in common with other commercial banks, in November of 1935, stood as follows:

End of	Dollars	Index
1932	630,792	100
1933	1,045,691	166
1934	537,491	85
1935	5,042	8

(179) THE BANK OF AGRICULTURE AND LABOUR

With offices at Tientsin and Peking, had fractional notes in circulation in denominations of 10 and 20 cents in 1928. In June of that year the Tientsin Chamber of Commerce was notified of additional issues of dollar bills in denominations of \$1, \$5 and \$10, meant for circulation in Tientsin and Peking. A few years later the bank seemingly ceased to exist.

(180) THE LAND BANK OF CHINA

Opened at Tientsin, but in 1929 the head-office was shifted to Shanghai, where business was started with a capitalization of \$2,500,000. The Land Bank of China issued notes in denominations of \$1, \$5 and \$10, one set being dated 1926, while another series came out with the 1931 date. The bank's note circulation stood as follows:

End of	Dollars	Index	
1930	1,800,000	100	As was the case with
1931	4,229,000	235	all other commercial
1932	5,221,000	290	banks, the Land Bank
1933	6,445,000	358	of China ceased to
1934	7,095,000	394	circulate notes after
1935	7,496,000	417	November, 1935.

(181) FUKIEN SOUTHEASTERN BANK

Established in 1928 with head-office in Foochow. Capitalized at \$1,000,000, of which \$250,000 was paid up, the bank closed its doors toward the end of 1935, leaving a part of its fiat money unredeemed. Its circulation was never large, as is evidenced by the following figures:

End of	Dollars	Index
1932	656,000	100
1933	255,000	39
1934	352,570	54

(182) THE RECONSTRUCTION BANK OF KIANGSI

Started business in the capital, Nanchang, in 1930 with a capitalization of \$500,000. At the end of 1933 it had notes for \$134,400 in circulation, and by the close of 1934 \$152,194. Figures for later periods have not been made available.

(183) TA CHUNG BANK

Started in 1920 with a capitalization of \$1,000,000 and branches in Shanghai, Tientsin, Peking, Chengtu, etc. In 1939 its capital was \$2,800,000. Its Chengtu office had to close its doors owing to the insolvency of the Peking branch. In 1921 it issued paper money, inclusive of fractional notes, at Tientsin. Its 1932 note emission comprised notes in denominations of \$1, \$5 and \$10, made by the Peking Bureau of Engraving and Printing.

According to the Bank of China's Financial & Commercial Monthly Bulletin, the Ta Chung Bank issued notes, of which the following sums were outstanding:

End of	Dollars
1933	217,062
1934	466,936
1935	1,712,521
1936	3,533,609
1938	abt 500,000

(To be Continued)

THE WALL STREET COLLAPSE OF 1957

Too little significance appears thus far to have been attached to the Wall Street Collapse of 1957. The New York Stock Exchange, which is often more of a barometer of American economic weather than a stable investment market, has signalled difficult times ahead. The technical action of this market is the basis of the Dow Theory, a business forecasting and market operational device which, for more than 60 years, has repaid its orthodox followers with a good measure of economic prescience. Unless the present trend is altered unexpectedly, economic difficulties predicted for the United States could lead to a world economic crisis with near fatal political repercussions. Such is "the bloodless verdict of the marketplace."

At this writing, the Dow-Jones Industrial Stock Average is off practically 20 percent from its bull market high, and is declining on increasing volume, a fact which portends

further selling and lower prices. The cash investor who bought "blue chip" stocks in July will surely view with alarm the paper loss of 20 percent of his investment in three months' time. The marginal purchaser of similar stocks has probably lost one-third or more of his contribution to the purchase price. Neither of these types of stock owners are likely soon to make further investments or large purchases of consumer goods in the wake of such losses.

Now is the time to start watching U.S. unemployment statistics and the disbursements of unemployment insurance funds, the latter in terms of their relationship to the regular wage payments which they will be used to replace. Trends in these figures should begin to show up fairly soon. It is extremely doubtful that unemployment insurance and similar "social security" plans can support the present contractual level of instalment debt repayment. Many factors make it

exceptionally difficult to estimate the points at which coverage of corporate funded debt and fixed-dividend obligations will be threatened.

Reduced economic activity will inevitably reduce tax receipts from present sources. If public expenditures are not conformably reduced, the result will be additional tax levies or increased public debt, or both.

It is probable that general acknowledgement of a serious deterioration of U.S. economic affairs will not be commonly accepted until well after the 1958 New Year's Day. However, the Congress could well be the target of requests for domestic relief legislation sometime in the 1958 Spring. As a result, the 1957 Battle of the Budget may quite likely seem insignificant by comparison with that of next year, which also carries adverse implications for further economic and military foreign aid which only a shooting war could alter.

Admittedly, the U.S. government's economic and fiscal capabilities are numerous and powerful in the extreme. Properly used, they could probably stop the present trend, and even cause a reversal without causing subsequent runaway inflation. One question, however, is whether the U.S. political leadership is wise enough to select and promote promptly the use of its economic and fiscal powers. This is predicated upon recognition of the problem at a time when there is still talk of curbing inflation. Secondly, is the leadership politically powerful enough, in the face of

recent internal strife and foreign political developments, to have its measures accepted? The situation prevailing during the Hoover Administration and its present parallels should be taken into account. A third question is whether measures can be taken in time to prevent fear from adding its paralytic effect.

The effect of any curtailment of U.S. raw material buying will have a serious deflationary effect upon world prices. Those countries dependent upon U.S. purchases may experience the loss of a substantial portion of their markets and foreign exchange earnings. This sort of an economic development at this time in the Free World is exactly what the world Communist leadership has announced as a condition precedent to the attainment of its objectives.

Fatuous bleatings about peace will not be enough to provide the situation in which America and other earnestly cooperating nations can make the long overdue readjustments in their economies. Peace must be assured under a Pax Americana, or there will certainly be war, and soon.

In essence, it may well be that the significance of the Wall Street Collapse of 1957 is to be a crucial test of the social and economic programs of the New Deal, of their extension by the Fair Deal, "Modern" Republican leadership in the U.S. and, most importantly, continuing American leadership in the world.

Charles H. Barber

DEFENCE OF COMMUNIST PARTY MEN

The Party leaders in China came down like a ton of bricks on their critics in the counter-offensive but not all the criticisms were ignored. They knew there was a lot to be put right, and the original intention of the first campaign was to increase their knowledge in this respect and to get the critics to start the ball rolling against those who were making the regime so unpopular with so many groups of society. It was announced on September 11, for example, that State organs all over the country were being streamlined and that as many as 300,000 cadres had returned to production posts or had been sent down to the basic level to reinforce the working personnel in the field. It is stated that in some places the simplification work had progressed in all systems in an all-out manner. In other places it was confined to organs at levels below that of province.

One of the principal Party theorists, An Tze-wen, also found it necessary to put a better face on the Government's record in regard to the "personnel policy," which had been hotly denounced as merely designed to provide jobs for the Party boys irrespective of talent or qualifications. He agreed that a correct selection and employment of cadres was a work of "decisive significance" in carrying out the political line of the Party, and quoted Chairman Mao in this sense. The political quality of cadres, he argued, was no less important than their professional ability. The Party had been accused of disregarding talent and of regarding seniority as the major criterion in promotion and it was contended by the critics that political qualifications should no longer be the equal or superior of actual talent. The criterion by which the "virtue" of a cadre is judged, he said, is whether he is devoted to the Socialist cause and whether he whole-heartedly serves the people and Socialism. His past background must also be taken into account. They

should not look on his ability without a look also at his political standpoint. If a man is politically a reactionary, then the greater his talent the greater the harm to the cause. The rightist view of talent was fundamentally different from the Party's, and suffered from the fatal weakness of all who had not undergone an ideological remoulding--inability to understand the role of the workers and peasants in history and over-estimation of themselves. "They are stirred with indignation when some cadres of workers' or peasants' origin, or persons with a lower cultural level than themselves, stand above them or lead them. They feel their talents are wasted. They believe themselves to be talented because they have reached a certain cultural standard. They think that, having graduated from universities and obtained diplomas, they should not occupy a position below others. Their mind has not been purged of the poisonous idea that 'of all things in the world, reading books is the best.'"

That is a remarkable argument for the spokesman of a regime whose Central Committee consists almost exclusively of Marxist careerists, who have read all the books and never in all their lives done a stroke of constructive work in field, factory, mine or industry. And it is all the more remarkable coming from one of the chief theorists, of whom this is as true as of Mao Tse-tung himself. And all the more so since An Tze-wen feels forced to acknowledge, in the very next paragraph of his dissertation, that "culture, science and knowledge are very valuable things," and that an important reason why China is so backward is that her culture and science are so poorly developed. Thus, intellectuals are the valuable assets of the country, and he admits that they are lacking in many of the cadres, especially those not of bourgeois or intellectual origin. But the reason why science, technology, and knowledge are valuable is "because

they serve the people and the socialist cause. Whether one's cultural standard is high or low is not the most important thing; what is more important is whether his thinking has been truly remoulded, whether he is firm in the working-class standpoint, and whether he is truly devoted to the socialist cause. He also sets out to refute the idea that, as the revolution is accomplished, the cadres policy of the regime has outlived its days; but he agreed that seniority should not be the primary and sole consideration in selecting cadres.

An Tze-wen declared that statistics showed that in all the *chu* cadres and above, Party members accounted for less than one-third and non-party members for more than two-thirds. Even if Youth League members were left out of account, non-party and non-League members still accounted for 45 per cent. The proportion of Party members was larger among the leading cadres, but he asserted that among 272 Ministers, Vice-Ministers, and Chairmen and Vice-Chairmen of the Ministries and Committees under the State Council, there were 226 Party members, or 83.1 per cent and 46 non-Party people, or 16.9 per cent. Among the Ministers and Chairmen the proportion of non-Party cadres was even larger; of the 46 Ministers or Chairmen sixteen, or 34.8 per cent, were non-Party people. Among the 192 Governors, Deputy Governors, Chairmen and Vice-Chairmen, Mayors and Deputy Mayors in various provinces, autonomous regions and three municipalities directly under the Central Government, there were 131 Party cadres or 67.7 per cent and 62 non-Party cadres or 32.3 per cent. The figures refuted the argument that men of the same kind (i.e. Party men) were always employed, but it did not answer the argument that the non-Party men are deprived of even the powers appertaining to their posts.

The majority of people who demanded the withdrawal of the Party leadership over scientific, cultural and educational work, said An Tze-wen, confused the question of policy leadership of the Party over the various aspects of the State work with the question of pure technique. The argument was that the Party was incompetent to handle the technical side of this work and therefore was unable to do such work. Instead of being done away with, the Party leadership, he said, should be strengthened in the course of building socialism. Party leadership was "a

guarantee of the smooth development of scientific, cultural and educational work." Facts were the best proof that this work had advanced under the Party leadership. The number of intellectuals had reached nearly four million in five fields alone—scientific research, education, engineering technology, health, and culture-arts. Higher intellectuals had been increased by one-third, and the work had gained tremendous development. It was far greater in scope than in the Kuomintang period, whether in personnel, structures, funds or facilities. It also found concentrated expression in the results of economic construction. Steel output, for instance, had risen from some 100,000 tons in 1949 to 4½ million tons p.a. Old China knew of no heavy industry; now with Soviet help the country had built a machine-building industry and aircraft and motor-car manufacturing plants. Four thousand miles of new railways, big conservancy projects, and the steel bases in Anshan, Wuhan and Paotow, together with the Yangtze bridge, supplied visible answers. It all proved not only that the Party could lead but lead well. It was "entirely groundless" to say that Party leadership hampered the freedom of intellectuals and the development of scientific, cultural and educational work. True, there were still drawbacks, and one of the chief of these was the inability of the Party officials to unite with the intellectuals, while others were still at a low cultural and scientific level. "Our Party cadres were for a long time in the past mainly concerned with the class struggle. They had no time to undertake scientific research, nor did they possess the necessary conditions for conducting this. In this respect the Party cadres have much to learn, and they must not rest content with the present state of affairs but study and work hard. Since we are able to learn how to conduct the class struggle we should be able to learn science and technology. Ability is acquired through learning and is not an innate gift. We now have much better conditions for study. As long as we study diligently and honestly, we shall certainly be able to take the fortress of science, gradually master the scientific and technical knowledge and become experts." All very true, but the argument used by the experts in a variety of branches of learning and of industry and commerce was that the Party officials should start by learning from the bottom up, not be appointed Presidents and directors of enterprises they had no idea how to run.

PROBLEMS OF THE JAPANESE MEDIUM AND SMALL ENTERPRISES

By a Japanese Industrial Analyst

For understanding the economic structure of a country, analysis is made of her income or employment broken down by agriculture and fishery, industrial production and wholesale-retail, exports and imports, and the rate of the expansion of heavy chemical industry. The Japanese economy, however, would not be understood correctly, by such analysis, without taking into consideration the problem of medium and small enterprises. It means, to put it reverse, that by the correct understanding of the position of the medium and small enterprises in the Japanese economy and the problems thereof, a better understanding may be gained of the structure of the economy.

The following is an analysis of the role of the medium and small enterprises in the Japanese economy, looking back the path they followed during 85 years since Japan adopted the capitalistic structure.

Importance of Medium and Small Enterprises

The medium and small enterprises of Japan are of a broader range than the "Small Business" in the United States and "Handwerk" in Germany, approaching "Petites et Moyennes Entreprises" in France. It means that they have grown on a different basis and have different problems from large enterprises. Among the Japanese, therefore, the term "medium and small enterprises" is accepted as containing not only problems on the scale of enterprises but also greater significance. By the term, one thinks of an employment problem and of a problem in connection with finance. Some associate it with subcontract and others recollect domestic enterprises. Although the problems are familiar to the Japanese there is no single definition of medium and small enterprises, as in the Western countries. Such may be an inevitable fact when considered that the

problems have both quantitative and qualitative sides. In Japan, general idea of medium and small enterprises is thus: in manufacturing industry, enterprises with less than 300 employees, while in commerce and service, those with less than 30 employees. In some cases enterprises of which capital amounts to ¥10 million (\$28,000) and below are also included.

Primary industries such as agriculture, fishery and forestry, which occupy 41 percent of the total population and 22 percent of the national income, are in the form of petty and private industries. Especially in agriculture, the family cultivate a piece of land of under 3 acres on an average.

Table 1
Japanese Manufacturing Industry by Scale as of 1955

Scale	Enterprise	Employee	Delivery value	Additional value
Petty (less than 3 employees)	56.8%	10.0%	3.1%	—
Small (4—29 employees)	36.9	31.5	19.2	19.0%
Medium (30—299 employees)	5.9	31.6	33.9	32.8
Large (300—999 employees)	0.3	12.3	20.3	20.9
Giant (More than 1,000 employees)	00.1	14.6	23.5	27.3
	100.0	100.0	100.0	100.0
Medium and small (less than 299 employees)	99.6	73.1	56.2	51.8
Large (More than 300 employees)	0.4	26.9	43.8	48.2

In the industries which have established mass production or require enormous equipment and capital, such as in sheet glass, beer, iron and steel and chemical textiles, there are scarcely medium and small enterprises. The principal arena where medium and small enterprises play an important part is in handicraft, that is, in an industry which demands varied goods. Nearly 100 percent of the production of toys, lacquers, sewing thread and foreign style dinner set is manufactured by medium and small enterprises. More than 90 percent is occupied in hemp line, knit-shirts, knit-sockings, parts of communication instruments and tools. Table 2 shows how medium and small enterprises play a part in manufacturing industries. Generally speaking, large enterprises predominate in raw material industry, while in light industry except textiles, high grade process industry and daily necessities manufacturing industry, medium and small enterprises prevail. According to the 1954 industrial statistics, the number of employees of medium and small enterprises constitutes 89.9 percent in wholesale-retail and 77 percent in service. It amounts to 13,460,000 persons in 1954 in total if combined with manufacturing, or 76.4 percent of the total employment of 17,610,000 persons in all the industries.

Table 2
Medium and Small Enterprises in the Japanese Manufacturing Industry

	Enterprise	Employee	Delivery value
Clothes	99.9%	95.8%	92.1%
Furniture	100.0	98.7	98.3
Hides & products	99.9	93.8	92.8
Metal products	99.9	92.7	83.0
Foodstuffs	99.9	93.7	81.3
Lumber & products	100.0	98.4	97.1
Arms	87.2	17.9	13.1
Petroleum & products	98.4	56.7	24.3
Primary metal products	97.4	36.5	29.6
Transportation machinery	98.9	45.8	27.4
Chemicals	98.3	46.5	40.2
Rubber products	96.6	54.4	37.8
Electric appliances	98.3	54.5	37.6

However, the importance of the medium and small industry problem is not only confined to the high ratio of employment. In output, the value of delivery indicates 56.2 percent of the total in manufacturing. It registered 45.0 percent or below in 1930, one half of the total, before World War II, and no more than 46.5 percent in 1950, when the Korean war broke out. In view of these, the importance of the small and medium enterprises in the Japanese economy has been increasing quantitatively, which reverses the theory that as capitalism advances accompanied with monopoly, the importance of large enterprises increases. It does not mean that medium and small enterprises exist in the period moving toward cartel, but means that they exercise great influences on the Japanese economy.

The ratio of the small enterprises in the total additional value of the manufacturing industry is considerably lower as compared with the ratio of employment. The large production scale is attended with the relative advantage; however, the difference of the ratio of the additional value between the large enterprises and the small ones in Japan is wider than that in Western countries. It is related to the low wage problem of medium and small enterprises. Its cause is directly connected with the problems of the Japanese economic structure, such as the form of capital accumulation, population and employment.

Past Development of Medium and Small Enterprises

It was only in 1868 that the Japanese economy emerged from the feudalistic political order of national isolation. Japan was an underdeveloped country which had no railways and consequently had to import consumption goods such as textiles. Therefore, an emphasis in the industrial policy by the Meiji Government was naturally placed on the promotion of industry, especially on heavy-chemical industry. The living-standard of the nation being so low at that time, the introduction of voluntary savings of the nation for investment into basic industries could not satisfy the requirements. The supply of the national fund and the Central Bank credit was required as a matter of course, and the Industrial Bank of Japan was established as a special bank to supply long-term equipment funds

with an object of concentrative finance to basic industries. Another subsidiary was the transfer of national enterprises to private hands. Medium and small enterprises—it may be suitable to call it the existing industries—did not receive patronage of the Government nor enough loans of the banks.

During the period from the Meiji era through World War I (1868—1914), special problems of medium and small enterprises had seldom arisen. On the contrary, they made a quantitative expansion in the form of covering the expansion of heavy industries. The existing industries which comprised handiwork such as raw silk, textiles, lacquers and ceramics, all of which were Japanese indigenous products, played an important role as export industries, as against the fact that the newly grown heavy industries had not sufficient competitive power. This made possible imports of raw materials required for the heavy industries for which not sufficient natural resources were provided. Since the end of World War I, (1917), when chronic depression prevailed, there were some existing industries tending toward decline on account of sluggish exports. And in the manufacturing field, maintaining a form of independence, many more industries became subject to wholesalers in trade and finance. In the early period of the Showa era (1921—), wholesalers pushed into the city as department stores, taking advantage of their large capi-

tal. The dependency on large enterprises of medium and small enterprises in machinery was encouraged by the national policy since 1925-1926. That was because Japanese heavy industrialization had considerably developed in iron and steel, power development and shipping, but in machinery, there had not been any noticeable progress. And yet, the tension in the international situation demanded an expansion in the latter. The Government, therefore, took the initiative in fostering machine-tools, rolling-stock and aircraft, closing up medium and small enterprises as subcontractors. Such was established through the second Sino-Japanese War and World War II.

The destruction of productive equipment during World War II and of the Zaibatsu by the occupation forces destroyed the basis of existence of large enterprises. Medium and small enterprises lost parent companies in the production field, and their business depending on wholesalers could not be resumed since they were dissolved on account of the wartime policy. The reopening of production by small capital was, however, easier than large enterprises. Moreover, democracy and the shortage of daily necessities of the nation gave an incentive to the productive activity of medium and small enterprises, which contributed to considerable extent to the nation's life.

Since 1946, when a graded production formula was decided with the objective of the production of 30 million

Table 3
Japanese Exports by Commodity

Article	Unit	Amount	1956 Value	Ratio to the total	(In millions of yen)	
					1955 Amount	Value
Food & beverages			64,779	7.2%		49,007
Fish	tons	196,393	43,429	4.8	155,108	27,226
Textiles & products			313,607	34.8		269,786
Raw silk	bales	74,478	15,042	1.7	86,712	18,005
Cotton fabrics	1,000 sq./yds	1,261,804	95,981	10.7	1,138,829	82,757
Spun rayon fabrics	"	694,883	44,043	4.9	521,391	29,667
Clothes			44,163	4.9		38,377
Pharmaceutical & chemical products			38,402	4.3		33,751
Chemical fertilizer	tons	916,610	17,885	2.0	762,875	15,010
Non-metal mineral products			41,211	4.6		30,625
Cement	tons	2,107,293	13,655	1.5	1,206,244	8,098
Ceramics			17,832	2.0		15,106
Metal & products			122,413	13.6		138,942
Iron & steel	tons	1,296,700	80,488	8.9	1,988,521	93,418
Non-ferrous	"	42,011	18,002	2.0	77,190	23,678
Metal products			23,921	2.7		21,845
Machinery			173,891	19.3		88,835
Textile machines & parts thereof			13,201	1.5		9,562
Sewing machines		1,484,709	12,310	1.4	1,535,865	12,523
Vessels		786	92,591	10.4	348	28,147
Others			146,049	16.2		112,870
Toys	tons	61,035	19,933	2.2	47,352	15,294
Veneer	1,000 sq/ft	700,533	15,451	1.7	629,739	13,153
Total			900,352	100.0		723,816

tons of coal for recovering the Japanese economy, commercial bank loans, and the national funds, were poured into coal, power development and iron and steel. Then, to check the inflationary pressure accompanied with the release of heavy military expenses and the postwar shortage of goods, a stringent monetary policy called "Dodge Line" was adopted from 1949, with a pressure on the finance to medium and small enterprises. The outbreak of the Korean war (June, 1950) brought about brisk business activity in the industries connected directly with special procurements. The grouping of medium and small enterprises subordinated to large enterprises was encouraged by the general tendency toward complication and large-scale of production.

Medium and Small Enterprises in the Present Economy

What role do the medium and small enterprises play in the present Japanese economy?

(1) **As an export industry:** Table 3 shows Japanese exports in 1955 and 1956 by commodity.

The exports of miscellaneous goods, machinery and textiles by medium and small enterprises are as follows: With regard to textiles, exports of yarn (cotton, staple, rayon and silk) are exclusively made by large enterprises (for synthetic and woolen yarn, however, 100 percent and 50 percent are shipped abroad by medium and small enterprises respectively). As for fabrics exports, medium and small enterprises occupy 82 percent of silk and rayon, 70 percent of wool, 32 percent of cotton and 34 percent of hemp. Textiles-processing goods such as gloves, stocking, hats and shirts are shipped abroad mostly by medium and small enterprises (100 percent), so are umbrellas (100 percent) and underwear (89 percent). The same with miscellaneous goods. Toys (100 percent), stationery (100 percent for colors and crayon, 95 percent for pencils and 50 percent for fountainpens), trimmings and other personal effects—exports of all the above are made by medium and small enterprises.

In machinery, cameras have been experiencing a sharp expansion in export by medium and small enterprises. Optical instruments, for instance, telescopes and binoculars are also exported by them, 99 percent and 68 percent re-

spectively. In electrical goods, 64 percent of electrical bulb exports depend on medium and small enterprises, especially 92 percent of miniature bulbs for Christmas trees in the United States. Sewing machines are also essential commodities. It has been increasing from 460,000 units in 1954 to 1,480,000 units in 1956, 60 percent of which is shipped by them.

There being a number of reasons for their predominance, the following are considered as the principal ones. (a) Since the labor cost of Japan is cheaper historically in view of living circumstances, the industry with a higher labor cost than capital cost has an international competitive power—textiles and trimmings. (b) The indigenous goods of Japan were chiefly produced by medium and small enterprises—ceramics and tea. (c) Deftness being innate in the Japanese, exports with less capital and high rate of skill are heavy.

(2) **As a relating industry with large enterprises:** This is often seen in machinery and metal industry as subcontractor. The ratio of subcontract to the cost constitutes 70 percent in shipbuilding, 62 percent in automobile, 34 percent in textiles and 10 percent in rolling stock. There are two kinds of subcontract. One manufactures speciality and the other the same products as the parent company. The former has relatively large scale being independent from the parent company, but the latter comprises petty industries depending on the parent company.

(3) **As a daily necessities producing industry:** Table 2 showed industries of which medium and small enterprises constituted a high ratio. It is noticed that clothes and personal fittings for the first rank, furniture and household equipment for the second, hides and products for the third, foodstuffs for the fifth, lumber and products for the sixth, all of these industries are for consumer's goods. This is attributed to the fact that the process of products is simpler and large sum of capital is not required. Moreover, compared with the additional value per capita by industry, the difference of the additional value between large enterprises and smaller ones is narrow in the industries shown above. So far as the consumers' taste much differ individually in the necessities of life, these industries cannot give place to large enterprises which follow a mass production formula.

ECONOMIC LETTER FROM TOKYO

Business prospects: The Bank of Japan has been soliciting principal enterprises for their views as to the business outlook in the near future. This survey shows that the attitude of businessmen as to the future has generally changed from one of "optimism" to that of "caution". The prevailing view is that while business in July-September may be said to be one flattening out and of ceasing expansion the October-December quarter would see recession coming on. In fact, most of them entertain a bearish view that in the coming quarter plant and equipment as well as inventory investments would decrease, sales would diminish, except in a few industrial lines, and prices are to fall.

Peak of business prosperity: The Bank of Japan made public its business analysis of 524 principal enterprises on their actual records for the second-half of the business year 1956 (Oct. '56-Mar. '57). It shows that reflecting the unprecedentedly prosperous conditions prevail-

ing from late 1956 to early 1957 the business activities made a marked rise during this half-yearly period, as is evidenced by increased investments, continued expansion in sales and earnings, etc. On the other hand, signs are not wanting of the business prosperity having already reached the peak as is shown by the upturn of the inventory ratio, which had hitherto kept downwards since the second-half of 1954, and a considerable increase in the outside or borrowed capital of the enterprises.

Deflationary effects being felt: According to the announcement made by the Ministry of International Trade and Industry as to the industrial situation since the coming into effect of the emergency economic policies, it may be noted (1) that even such goods as structural materials, which kept strong heretofore, are weakening as the effects of stringency measures; (2) that there is an increasing tendency for private enterprises to postpone or give up their plant and equipment investment plans; and even such

investments considered indispensable in the industrial structure in future might be involved by reason of difficulty in financing; (3) that accounts receivable by small and medium sized businesses are being settled of late on terms much worse than heretofore; (4) that the export prices of textile goods, which were relatively lower than the international level, have further declined; this is especially true of rayon affected by foreign buyers' holding off in anticipation of lower prices in future. Even iron and steel prices have fallen to one-half or less, when compared with the highest quoted in September last year.

Fiscal 1958 budget: The basic principle as agreed upon by the Cabinet in drawing up fiscal 1958 budget is to make the improvement of our balance of payments position as the first and chief objective of economic operations, and with that end in view domestic consumptions are to be curbed and exports promoted through coordinated working of fiscal and monetary measures. Hence, the following rules are to be adhered to: (1) any expansion in substance of expenditures as compared with 1957 budget to be strictly restrained; (2) all previously established expenditures to be re-examined for the purpose of retrenchment, while new expenses will be rigidly screened on a high priority basis; (3) any surplus resulting from such economizing to be used among other things for adjusting business conditions in future; (4) Government investment and loans to be limited to the extent of actual payments made in 1957; (5) local government finances are to be regulated on the same principles as here mentioned.

Foreign exchange account: According to the announcement made by the Bank of Japan and the Finance Ministry, our foreign exchange receipts in August amounted to \$321 million and payments to \$390 million, both covering visible and invisible trade items, resulting in an excess payment of \$69 million. This deficit is \$32 million less than that in July. Besides, if payments made for debts incurred in the form of deferred payments for imported goods be deducted, the real balance of payments deficit for August would be \$53 million smaller than the previous month at only \$9 million, that is to say our international receipts and payments were nearly balanced last month.

Balance of payments prospects: The Government decided on the prospects of our international payments and receipts for the current fiscal year. It is estimated that the total receipts will amount to \$3,685 million and payments to \$4,160 million, with a net balance of payments deficit of \$475 million. As this will be partly covered by our borrowings from IMF, it is expected that foreign currencies actually parted with may be limited to some \$390 million with the holdings of such currencies at the end of fiscal 1957 estimated at \$802 million.

Business situation: The Economic Planning Board states that business may have lulled in August-September. This, however, does not mean that business in general has already touched bottom. Rather this lull seems to be a phenomenon arising from the circumstances that while production has at last come to feel the effects of the stringency policies the export and consumptive demands continue unabated. Since Treasury financing from now on will seasonally result in excess disbursements of funds and so much relaxation in the monetary situation is expected in consequence, there is a fear that it might neutralize the efficacy of the credit squeeze.

People's livelihood: The Economic Planning Board published an analysis of the people's living in fiscal 1956. The salient points of its finding are: (1) People's livelihood continued to make improvement, though rather moderate in

proportion to the prosperity in fiscal 1956. In income, the percentage of its gain was relatively higher among those of lower income. (2) More spending was made for dwellings and clothings, while the outlays for foods were stationary. It means an increased spending for luxuries and expenses associated with modern living. This tendency may be seen even in some sections of rural communities, but living conditions in farming villages as a whole remain about the same. (3) Mass production and mass communication made it possible for anybody to partake of the same kind of foods and clothings, and use similar home appliances. Thus, there is in evidence a tendency for equalization and standardization of living.

Government's comprehensive economic measures: The Cabinet discussed the actual workings of the comprehensive economic policies hitherto pursued by the Government, especially measures for export promotion, relief to small and medium sized businesses and lowering of prices, and agreement was reached that, since the country's economy is fundamentally healthy and the Government's economic measures are working satisfactorily, there is no need of their modification. As to export, Director General Kono of the Economic Planning Board reported that trade in the first 20 days of September did not come up to expectation after making good showing in August, and said he desires to take appropriate steps to have the goal of \$3,100 million export attained for the year. Opinions were expressed for the need of promoting export further through economising consumption and encouraging savings. As a reason why prices of vegetables failed to come down in spite of a decline in fresh fish, some of the ministers present pointed out the fact that suburban farmers are exerting themselves more for raising high-class vegetables, because of the growing demand for them lately. Opinions were in agreement that the Government's small business policy is working generally, if not completely, satisfactorily.

Foreign exchange budget: The Government decided on the foreign exchange budget for the second half-year (Oct. '57-Mar. '58) of fiscal 1957. It provides for \$1,572 million imports of merchandise, besides \$80 million reserved, and \$357 million invisible trade payments making in all \$2,009 million. If only the budgeted imports of merchandise be compared with the actual record of the previous half-year, which is \$1,700 million roughly, the amount is \$130 million lower, and when compared with the same period last year it means no less than \$910 million retrenchment. The total merchandise imports budgeted for the whole 1957 amount to \$3,352 million.

Forward sterling rates liberalized: The Finance Ministry decided to liberalize the forward rates of the pound sterling effective from Sept. 25. It means that Government fixing of the forward rates of sterling would be abolished and exchange banks are permitted to quote them freely. Simultaneously, the Foreign Exchange Fund Special Account shall cease buying and selling of forward sterling exchanges.

Loanings of equipment funds: The Bank of Japan has made a survey of the loans actually made during August by all banks of the country for supplying equipment funds. It shows that loanings of equipment funds still continue growing, the new loan increase in August of Y31,800 million far exceeding that of July (Y29,000 million). Conspicuous is the fact that new loans are mostly concentrated to such bottlenecked industries as electric power, iron and steel, transportation, etc. In fact, loans made to these 3 lines of industries account for nearly 55% of the total increase at Y17,500 million.

DEVELOPMENTS IN SINGAPORE

While September for the Federation has been the first month of feeling its new independent personality, it has for Singapore been a month in which all its many problems have been brought to the fore. The Legislative Assembly discussed both the arrests of subversive elements among Trade Unions and the People's Action Party last month and the Citizenship Bill which seeks to lay the political foundations for its self-governing future; a Commission is sitting on allegations of corruption in the June bye-elections; further arrests of subversive elements in the Chinese Middle Schools and the arrest of a headmaster of one of the schools on a Banishment Warrant brought the problem of an important group of the younger generation to prominence; in his visit Mr. Duncan Sandys embodied the question of the future of Singapore as a Base on which its strategic importance and a large section of its economy depends; while the work of the Port Commission and the Silver Jubilee of the Singapore Manufacturers Association reminded Singapore of the need to re-double its earning power to meet the needs of the population now being counted in the Census returns under analysis. Perhaps it was therefore appropriate that the Chief Minister, Mr. Lim Yew Hock, addressing the Toastmasters Club at the end of the month told them he hoped they were learning to be Toastmasters for Singapore, for "we are only too conscious of the load of mischief and troubles we carry and they could become too great a strain on our belief and faith in Singapore, if they were all that we carried. But we also have a load of loyalty and achievements which we can carry light-heartedly and confidently."

Recapitulation

At the meeting of the Legislative Assembly on September 12th, Mr. Lee Kuan Yew invited members to "deplore the inaccuracies" in the White Paper issued the previous month on the "Communist Threat to Singapore" to set out the reasons for the arrests of individuals under the Preservation of Public Security Ordinance for their Communist Front activities. It was a speech which closely followed a manuscript prepared in consultation with the "Emergency Committee" which in the absence of elected officers is looking after the affairs of the P.A.P. The speech lacked the interest and conviction of his previous speeches. It reflected a dilemma rather than set out a case. It did not reveal the expected inaccuracies, but challenged the conclusions. He counter-attacked by alleging other motives to Government, to collaborate with the Colonial Power in the closing down of the P.A.P., and to save the T.U.C. from capture by those arrested. He agreed there was a "dissident faction" in the P.A.P. but claimed they were successfully fighting it, while the T.U.C. were unsuccessfully fighting against capture by the same faction. He said that they could not pretend that their party was impervious to Communist penetration, but so too, he alleged, was the Labour Front. Only the PAP could solve its own problems, and their success at the Annual Meeting and the fact that only 5 of the 12 of their committee had been arrested disproved the allegation that the Communists had won control. Their stand was "clear consistent and unwavering" for an "Independent democratic, non-Communist, Socialist Malaya by democratic constitutional means" although in so doing they could be the victims of criticism by colonialists and Communists alike.

The Chief Minister made an effectively forceful speech in reply. He pointed out that the PAP did not deplore

Government's action, as they had done the previous year, but merely the alleged inaccuracies. The burden of his case was this "We cannot sit by and watch the Communist Front reorganise and corrupt the minds of the workers and the simple people. If the genuine democratic leaders of the PAP will not act, then we must and we will". The leaders of the PAP had acted too late to stop the Communist penetration and the control of the party's education and propaganda had passed into the hands of the Communist Front elements. They did not claim the PAP was a Communist party, but that it had been dangerously penetrated. Even though they were open to the charge of seeking a pretext to damage an opposition Party, they could not shirk their duty "to preserve security rather than to restore order after riots". In summing up after the adjournment, Mr. Lee Kuan Yew repeated the programme on which he had won the Tanjong Pagar bye-election and told the Chief Minister he must decide whether he accepted that or a Communist Front policy as the basic policy of the PAP. He unrepentantly defended the consistency of PAP policy and condemned the attempt of a group of PAP Trade Unionists to Mr. David Marshall to win his support for a policy of elections before citizenship registration, contrary to the PAP official policy. He repeated that they nevertheless stood for the rights of their "dissident faction" under the law. His motion was defeated by 22 votes to 3, with 7 absentees.

Citizenship

On September 13th, the Assembly unanimously passed the Second Reading of the Singapore Citizenship Bill which represents the first stage towards the new internally self-governing State of Singapore. Once the new citizens are registered, the new electoral register to include their names will be published, and the elections for the new fully elected Assembly of the new constitution can take place. This is expected to be in the latter part of 1956. In general the Bill provides for automatic citizenship by birth within Singapore, citizenship by registration for Commonwealth citizens with two years residential qualification, and for foreign-born residents with 10 years residential qualification, and finally by naturalisation. All except the local-born will be required to take an oath of allegiance and those born outside the Commonwealth will be required to take an oath of renunciation, in order to eliminate dual nationality, as far as is legally possible.

The Bill was presented by the Chief Minister in an all-Party spirit, as all had contributed towards its present shape. Its purpose was to define the "self" in "self-government", the rights of those from whom the Assembly derived its authority. It was not merely a legal formality, but an exercise in political "home building". "We are a state of peoples of many races and cultures and as a commercial port our windows are, and must always be, open to all the quarters of the globe. In this lies our richness and our vitality. But it also means that our loyalty must be all the stronger not to be overwhelmed by the many pulls on us from cultures older and nations stronger than ourselves. We have to build up our own personality, drawing elements from whatever source can contribute to us, but it must contribute to our own integrated personality. We must not be an unstable association of outside influences with no internal strength or distinctive character. If we cannot create this character or way of life of our own,

something which is uniquely ours, then all the constitutional and legal apparatus of self-government will not provide a satisfying life for us, or save us from the creation and exploitation of domestic divisions motivated by external influences for external purposes hostile to ours."

Among the young who are citizens by local birth, the pride of citizenship must match their legal rights. "We must generate a feeling of pride in our achievements, which though they may be small, can nonetheless be significant for Asia, because of our special opportunities and inheritances, and because we are a shop window on the great arterial sea route of Asia."

Of the older generation of alien-born he said: "This is their land, in which they have worked patiently and productively. They have all contributed each in their different way to building up the commercial prosperity of Singapore, and their families with the education of our schools and with the opportunities and new horizons open to them here, have endowed us with the widening community, the new talents and skills, and wider social activities of our younger generation on whom must fall the crucial burden of making or marring our great experiment in self-government."

"While they have been in this position, citizens in fact but without taking full legal rights, they have in some ways had the worst of both worlds. They have been vulnerable to criticisms of their action by those in our midst and overseas who have sought reasons to doubt their essential loyalty. This Bill will give the opportunity to our older contemporaries to set the rumours of wagging tongues at rest."

"... it is misleading to say that they will be not welcome, for they are welcome, as they have been welcome and we have treated them as of ourselves. But there has been no legal right, no legal rebuttal of malice or mischief. They will not only be one of the family: they will have title-deeds as members of the family in our Singapore homeland."

He referred to the issue which was to dominate the discussion in the Assembly whether aliens would require 8 or 10 years residential qualification and which would be referred to the Selection Committee considering the Bill. "Through the Bill" he concluded "we will be able to say today with united voice 'Majulah Singapura!' and tomorrow with ever greater strength and unity 'Merdeka Singapura!'"

Student arrests

On September 25th, 48 students were arrested under the Preservation of Public Security Ordinance. They were mainly from the Chung Cheng and Chinese High Schools and included two girls. One was 24 years of age, but the great majority were 18-19 years of age reflecting the continued problem of overage students in the Chinese Middle Schools. Explaining the action, the Chief Minister Mr. Lim Yew Hock said: "A study of the documents seized confirmed the Police information that an underground organisation with an overall plan to subvert young students of the Chinese Middle Schools and exploit Chinese education for political purpose has continued since the banning of the Singapore Chinese Middle School Students Union. This organisation is another sector of the overall MCP plan which was revealed in the Government White Paper issued last month. Their activity has been increasingly bold and blatant and the Summer Get-Together Party is only the most extreme example. We had to take this action before this group got a deadly stranglehold on the Chinese Middle Schools which they held last year."

Describing their activities he said they had reverted to the "Hsueh Hsih" (Study for Action) Communist indoctrination study groups, organising them as picnics away from the schools to evade suspicion. At one of these picnics, one of their speakers said that after the action against them last October, the "progressive parties" had begun to build themselves up again. They were adjured to carry on the "struggle" and sacrifice themselves for the masses. They were told that "the independence we have obtained is the result of the work done by Chin Peng and not by Lim Yew Hock or Tunku Abdul Rahman". They sang songs, some of Chinese and Russian origin, and one specially written to commemorate the disturbances at the old Kallang Airport during the Merdeka Rally of 1956. These were followed by three plays in praise of Communist activities in Malaya and in support of the Chinese Communist anti-Japanese and anti-American themes.

The students had prepared a song-book of militant songs, including some of Chinese and Russian origin. Over 500 bound copies and many loose sheets were found in the homes of one of the boys. One entitled "Singapore River" ends—"You, the Singapore River, how much more bloody tears are needed to drip asunder your heart? Rise up and roar! The people are struggling and resisting, struggling and resisting."

Another reflects the early defiant student attitudes and says:

"We students have the strength
 Busy in 'Hsueh Hsih' day and night
 For exemption from National Service
 Struggle and fight to the end."

Another called "The Young Fighters" begins:

"We are the young fighters
 We are the gunners never missing a shot
 We are brave and firm and strong
 Singing at top of our voice the war song
 And marching onward. . . ."

Copies of MCP documents and "Freedom News were also seized. By assisting unions in strike, they had been re-building the explosive links of students and trade unions which had reached its climax in the Hock Lee Riots of 1955 and the October riots of 1956. The Chief Minister commented "Last year we were not so fast. They know the attitude of Government now. We are firm. We will not tolerate any nonsense." He concluded "One must not forget since last year, the situation in Chinese schools had improved. Because it improved the other side would be losing their grip if they don't start reorganisation again. That is the cause of the re-organisation."

On September 26th, Dr. Chuang Chu-lin, Headmaster of the Chung Cheng High School, was arrested on a Banishment Warrant. The Chief Minister, commenting on the discussion among the Chinese community, welcomed its reasonable tone and added, an assurance of careful consideration "for it is the basis of Government policy that, in harmony with the All-Party Report, Chinese education is an essential and integral part of Singapore's education system and this is the over-riding consideration in all our decisions on matters affecting Chinese schools."

Singapore the Base

Mr. Duncan Sandys, by his reference to the future of the Singapore base, and the place of the atom bomb in future British strategy, had assured himself an interested audience when he came to Singapore on his return journey to the U.K. During his visit he met the Governor, the

Chief Minister and the Commanders-in-Chief and visited all the service establishment. He also saw the Gorkha's centenary parade in honour of their battle honours won in Delhi in 1857 during the Indian Mutiny. At his Press Conference before he left he said Britain had no intention of moving its Far East Base from Singapore and would continue to maintain large conventional forces in Malaya. The British Government, he added, appreciates "very much" the "support which it had received from the Government and people of Singapore". Asked about the storing of atom bombs in S.E. Asia, he denied he had said anything of such stockpiling. He had said there had been no decision on stockpiling in S.E. Asia—or anywhere outside the U.K.

Port Commission

After 4 weeks of vigorous work under constant pressure, the Singapore Port Commission under the Chairmanship of Sir Eric Millborn, Honorary Adviser on Ports to the U.K. Government has completed its work. The report was signed on September 26th, and submitted to the Governor. At a Rotary Club meeting immediately before his departure Sir Eric summed up in a masterly way the key problem of Singapore's future, and the public reaction to it when he said: "... your port is something you take for granted. To me who have seen most of the ports of the world, one of the most astonishing sights I have never seen before is the galaxy of shipping within your city to be seen by everybody on their way to offices. I wonder whether you have paused for a moment to think 'Where you are going, oh! all you big ships'.

It seems to me too that this port of yours is most vital in many activities. Without it you won't have banking, insurance, money centres of trade and exchanges. It seems that this is the king-pin within the activities of so many of you."

"... A body representative of trade and commerce should see today that they have not only the best equipped, the most efficient and the largest port in the world but should publicise this in the far corners of the globe to increase trade and commerce in the future. . . ." Singapore's citizens in this year of elections ahead could do worse than memorise these sentences.

Singapore Chamber of Commerce Report

An internal survey of Singapore's economic position was made by Mr. F. L. Lane, in his statement as Chairman of the Singapore Chamber of Commerce. He said that although exports and imports had increased, and the total cargo for the 12 months ending on June 30th 1957 was 5,780,780 tons, the highest ever recorded, there had been an adverse balance of trade of \$147,000,000 for the first half of 1957. Trade with the Federation with Indonesia and with Borneo had all increased but in all cases there were new factors such as the Federation tariff policy, the political uncertainty in Indonesia, and the increased trade of Borneo through Hongkong, which raised problems for Singapore. Referring to the newly established Tourist Advisory Committee, he said "Singapore needs all the secondary industries it can develop and this is one to which, as a first class geographical centre, Singapore particularly lend itself." He welcomed the successful outcome of the Constitutional talks "helped materially" by "the firm and determined manner in which the Government dealt with the disturbances last October". The government's determination to maintain internal peace and reduce "behaviour calculated to upset trading confidence in Singapore" is "essential if Singapore is to retain her pre-eminent entrepot position in S.E. Asia". That position on which depends the standard of life of the people calls

for more responsible activity by Trade Union leaders. He concluded by welcoming the "fulfilment of the trust" represented by the coming of Merdeka, and the "responsible and statesmanlike approach of the Federation Government to its many difficult problems" and expressed his confidence that "the Federation Government will always bear in mind that the Federation of Malaya and Singapore are geographically part of one territory and are commercially complementary to each other. Political considerations cannot alter that basic fact and it is the cornerstone on which the future prosperity of Malaya as a whole must rest."

The detailed analysis which was distributed with the speech showed the increasing competition for Far Eastern markets as reflected in Asia's most sensitive market place. There has been a decline by nearly one and a half million square yards in the import of textiles from the U.K. for which high prices are chiefly responsible. "It would now seem," the report says, "that the days of trading on goodwill and old established names are past, and a concentrate effort by British cotton goods exporters into this competitive market is called for." Japan and India continue to be the largest exporters to Malaya, but imports from China have increased by five million square yards. Singapore and the Far East are described as "the most sought after market of the world" for engineering supplies, in which competition is becoming increasingly fierce. Malayanisation is expected to make the market less tied to British products. "Price increases", therefore, comments the reports, "and the continual inability of British manufacturers to maintain delivery promises have not improved their position in this market and it is apparent that if they are to maintain their hold, a more enlightened export policy will be necessary."

Industrialisation

Singapore's second string in the bow projecting it into the future was represented in the Trade Fair which opened in Singapore's "Great World" entertainment park on September 27th. The extent of these industries was described by the Chief Minister, Mr. Lim Yew Hock, in his opening speech. "Within this Trade Fair" he said, "you will see our products which cover a wide range of commodities from miscellaneous food preparations, beverages and cigarettes to ropes, twines, yarn fabrics, and wearing apparel of all descriptions. Singapore also manufactures wood products including plywood, a wide range of paper, leather and rubber products, industrial gases, vegetable oils and fats, soaps and other chemical products, bricks and tiles, glass-ware, pottery and dry cell batteries.

Our basic industries include iron and steel foundries, tin smelting, rubber smoking, ship building and repairing, marine engineering, assembly of motor cars and other light industries. That these industries are not new was emphasised when the Singapore Manufacturers Association with its 51 members celebrated their Silver Jubilee on September 20th. In his congratulatory speech, the Chief Minister announced that the Federation of Malaya and Singapore were discussing the establishment of an Institute of Scientific and Industrial Research, and that under the Colombo Plan, Canada would send Singapore an expert to make a survey of its industrial potential and its markets.

Relations with the Federation

Through the heavy concentration of Press reporting and the impact of the commentaries of Radio Malaya, Singapore shared to the full the ceremonies of Merdeka in Kuala Lumpur, the capital of the new independent state and member of the Commonwealth. And the practical consequences in the years before merger are of immediate concern while, to use the Singapore Chief Minister's phrases, Singapore is

not a member of the family but is yet nearer than a neighbour. In his speech from the throne at the opening session of the Parliament of the Federation, the Yang di-Pertuan Agong speaking of relations with Singapore and of the "many complicated issues which remain to be discussed and settled" said, "My Government will enter into those discussions with sympathy towards the special problems of Singapore and with understanding of the difficulties which face that government." One particular point raised in the Speech from the Throne was the future of the Royal Malayan Navy, and the agreed proposal of the two governments that it should be transferred to the Federation. In a later speech in Singapore, the Federation Chief Minister announced that it would be transferred without charge as a contribution from Singapore to the ending of the Emergency situation, and that he hoped the new barracks would be ready at Port Swettenham by the first anniversary of Merdeka. The issue of passes for the Causeway has been the issue most discussed, and it has come down to the practical proposal that Identity Cards will be examined in crossing the Causeway. In saying this, the Federation Chief Minister said he hoped that in both territories new identity

cards would be issued. The question of the ultimate future of the relationship of the two territories was made more realistic when he said: people failed to understand why the two territories could not merge when their geographical proximity, blood and links of friendship existed. While "compelling circumstances" kept them from friends but not as one family, "We will come together one day, God willing." The presentation by the University of Malaya of Honorary Degrees of Doctors of Law to the Prime Minister Tunku Abdul Rahman and to Mr. Lim Yew Hock was an academic symbol of the special relationship of the two territories, but the fact that this took place at the first University of Malaya convocation to be held in the Federation illustrated the new balance of power. In the same way, the congratulations which the Tunku sent to Mr. Lim Yew Hock in his action against the students was a foretaste of the position of the Federation representative on the future Internal Security Council under the new constitution. The fact of common interests, common achievements and common fears, will inevitably work for the merger and determine the form of the merger and the extent of the individuality which Singapore is able to retain within it.

GOVERNMENT SPENDING FOR ECONOMIC DEVELOPMENT IN THE PHILIPPINES

By Angel Q. Yuingco and Antonio C. de la Cruz *

In every underdeveloped country, governments, and particularly the national government, play the leading roles in planning and implementing programs for economic development.

The Philippines is one of those countries in the process of economic development. The essence of development in our case is to provide the economic opportunities calculated to increase national income, productivity and employment that would ultimately elevate the well-being of the people, particularly the rural population.

Since economic development is an all-out effort, the Philippine Government is continuously revising its economic development program in line with changing economic conditions to achieve the above objective. All the sectors of the economy are called upon to contribute some degree of performance. Inasmuch as the government has no complete control over the spending patterns of the other sectors of the economy, it becomes its main responsibility to provide the necessary climate which will influence the other sectors to react favorably.

The critics of the Administration claim that we have had almost half a dozen long-range programs since 1947 without having implemented at least one of them. It should be known that economic planning is a continuing process and program execution depends on existing conditions. This paper does not attempt to explain the side of the govern-

ment but merely purports to point out the fact that the government is desirous in achieving economic development.

It is therefore the purpose of this paper to discuss government spending for economic development in the Philippines. Since the subject of economic development has many ramifications, we have singled out for consideration in a more general manner the topics (1) level of public spending, (2) economic development outlays, (3) financing economic development, and (4) government and the university.

The Process of Economic Development

From the standpoint of underdeveloped countries like the Philippines, Indonesia, the Malay Peninsula and much of South America and Africa, economic development can mean developing the real income potentialities of the area by using development expenditures to bring about desired changes in the material well-being of the population and to harness those productive resources which promise to raise the levels of production and income. It means achieving those changes which will most effectively realize the real income potentialities of a particular area.

The broad concept of economic development has been defined by Professors Buchanan and Ellis¹ as follows:

"If underdeveloped areas can be distinguished from the already developed countries by means of certain indexes of life as end product—that is, monetary and non-monetary indicators which suggest economic performance and material well-being—then presumably a country could be said to be achieving development if these indexes showed sustained improvement. If the phrase 'real income per person' is

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We are grateful to the Staff of the Committee on Appropriations for gathering most of the statistical data used in this paper. The views expressed here are those of the authors and do not reflect those of the Committee on Appropriations.

¹ Norman S. Buchanan and Howard S. Ellis. 1955. Approaches to economic development. New York, The Twentieth Century Fund. pp. 21-22.

used as a shorthand expression for all these partial indicators of material well-being taken together, then development implies raising real income per person. In other words, viewed broadly, what is underdeveloped in the underdeveloped areas is their real income potentialities; development means exploiting these potentialities.

Since the process of economic development essentially is one of increasing productivity or output per worker, to achieve this objective, three guideposts,² are necessary. They are:

(1) increasing the volume of utilizable resources (such as roads, irrigation, etc.);

(2) increasing the volume of capital equipment including power (such as machinery, some basic goods and power); and

(3) increasing the efficiency or working capacity of the labor force (by means of education and health facilities).

These items may broadly be described as capital formation. Economic development can be achieved through the process of capital formation. Although capital accumulation is not a sufficient single condition of economic growth, yet together with human and political factors, they are necessary to the process.

Edwin Nurkse³ defines capital formation as follows:

"The meaning of 'capital formation' is that society does not apply the whole of its current productive activity to the needs and desires of immediate consumption, but directs a part of it to the making of capital goods: tools and instruments, machines and transport facilities, plant and equipment—all the various forms of real capital that can so greatly increase the efficacy of productive effort. The term is sometimes used to cover human as well as material capital: it can be made to include investment in skills, education and health—a very important form of investment."

Jesse Burkhead⁴ stresses industrialization as the common interpretation of economic development and considers it as another important relationship which characterizes the developmental process. He writes:

"First, industrialization is the key to economic development and, in fact, is virtually synonymous with it. Development requires, at some stage, an increase in the amount of accumulated capital per head of population, in industry, in agriculture, in the distributive trades, and in government. It may be that in a number of countries economic development must begin by strengthening and improving the agricultural sector without, initially, an increased capital accumulation. This may even take the form of strengthening subsistence agriculture—the non-market sector of the economy. But at some point, growth requires capital, and

this will inevitably mean industrialization in the sense of increased fabrication, with a concomitant shift of economic activity and the labor force away from agriculture and into other activities.

In most countries this is what economic development has come to mean, and it is this that commands widespread support—industrialization to strengthen the non-agricultural sector of the economy. It is only through industrialization that an underdeveloped country producing raw materials can gain economic independence in relation to the more advanced countries on whom it depends for markets. It is only through industrialization that an economy can become both specialized and diversified, developments which have come to be associated with progress."

The all-important thing in the process of economic development is that desirable changes are made in the material well-being of the population and this is indicated by a rising real income per person.

Although ahead of China and Indonesia, the Philippines had the third lowest per capita income among fifty-three countries, being \$32 in 1939.⁵ After 15 years it is still classified within the lower income group with per capita income of \$100 and below.

There might be a point in showing the comparative alignment of the various countries in 1949. Eight years ago about two-thirds or 67 per cent of the world's income went to less than one-fifth or 18 per cent of the world's population. This group of high-income countries consisted of the United States, Canada, Western Europe, Australia and New Zealand. At the other extreme, two-thirds or 67 per cent of the world's population received less than one-sixth or 15 per cent of the world's income. These low-income countries covered most of Asia, Africa, South Eastern Europe and Latin America. The calculation of per capita income based on national income estimates for 70 countries compiled by the United Nations registered \$915 for high-income countries and \$54 for low-income countries.⁶

Today, slight changes in the economic alignment of those countries mentioned above have occurred. But changes in the internal economic structures especially those in the underdeveloped areas are very prominent. The fiscal system has been called upon to do the job. The peace-time goal of fiscal policy in an advanced industrial economy is economic stability and the maintenance of full or high level of employment; for an underdeveloped economy the goal of fiscal policy is economic development without too much inflation.

Let us now look into the levels of public spending in the Philippines during the last three fiscal years and relate them with national income estimates during the same period.

The Level of Public Spending

The level of annual public spending has exceeded P1 billion in the last three years. This consists of outlays made by the national government, government corporations and local governments constituted by the provincial, city and municipal governments. Average spending by the public sector covering fiscal years 1955 to 1957 is estimated at P1.5 billion. This is approximately 16.5 per cent of the gross national product for 1955 which is estimated at P9.1 billion; it is almost 20 per cent for the current fiscal year.

⁵ Buchanan and Ellis. *Op. cit.* pp. 19-20.

⁶ Edwin Nurkse. *Op. cit.* pp. 63-64.

² Dr. Rao outlines five measures to realize economic development. See: V.K.R.V. Rao. 1953. *Deficit financing, capital formation and price behavior in an underdeveloped economy.* Eastern Economist Pamphlets. pp. 2-3.

³ Ragnar Nurkse. 1953. *Problems of capital formation in underdeveloped countries.* Oxford: Basil Blackwell, p. 2.

⁴ Burkhead's generalizations on the relationships which have historically characterized the development process are as follows:

1. Industrialization is the key to economic development and, in fact, is virtually synonymous with it.

2. Economic development can be operationally defined in terms of (a) an increase in real output per capita, including the output of the non-market sector, and (b) consequent increase in real income per capita.

3. Population pressures need not prevent development. It may intensify the need for development; it may slow the rate of development; it does not necessarily preclude it.

4. Economic development, in the foreseeable future, is primarily a task for the developing countries themselves, not for the outsiders.

5. Economic growth must be viewed as a learning process. See: Jesse Burkhead. 1956. *Government budgeting.* New York: John Wiley & Sons, Inc. pp. 456-61.

The middle-income countries of Argentina, Uruguay, South Africa, Israel and some countries in Eastern Europe, especially Soviet Russia which make up 15 per cent of the world's population receive 18 per cent of the world's income.

The level of public spending related to GNP for the period covered in this study are shown in table 1.

Table 1
Public spending in relation to gross national product
(million pesos)

Fiscal Year	Level of Public Spending	Gross National Product	Spending as Per Cent of GNP
1954-1955	1,272.7	8,856	14.37
1955-1956	1,497.9	9,121	16.42
1956-1957	1,785.6	9,394	19.01

Source: Committee on Appropriations.

The public sector absorbs practically one-sixth to one-fifth of the national output of goods and services annually. Compared with other countries—both industrially developed countries like the United States and Britain and economically underdeveloped countries like Burma and Ceylon—the Philippines is even spending less in relation to her gross national product if we are to consider the development projects that compete with one another for immediate implementation. Percentage-wise, our public sector spends as much as the central governments of Chile and Japan. Central government spending of various countries especially those in the same economic position as the Philippines compared to their national incomes are shown in Table 2.

Table 3
Total public spending
(million pesos)

	F.Y. 1955	Per Cent	1956	Per Cent	1957 *	Per Cent
1. National Government	809.2	63.6	1,013.0	67.6	1,215.6	68.1
2. Local Government	220.6	17.3	232.5	15.5	250.0	14.0
3. Government Corporations	242.9	19.1	252.4	16.9	320.0	17.9
Total	1,272.7	100.0	1,497.9	100.0	1,785.6	100.0

* estimated.

Source: Committee on Appropriations.

Table 2
Percentage of central government expenditures and revenues to the national income of different countries in 1954

Country	Per cent of Expenditures to National Income	Per cent of Revenues to National Income
Argentina	12.08	10.58
Australia	19.86	23.35
Brazil	12.19	10.58
Burma	28.85	24.92
Canada	22.61	22.85
Ceylon	18.80	20.62
Chile	16.20	13.16
Ecuador	9.27	7.97
India	7.24	5.25
Japan	19.68	15.97
Mexico	8.16	7.15
Philippines	10.58	9.55
Turkey	15.25	16.45
United Kingdom	31.18	29.27
United States	22.61	21.57
W. Germany	24.89	24.32

Source: 1955. Statistical Year Book. United Nations. pp. 454-530.

The table above shows that the proportions of national income spent and taxed by the central government of various

countries in 1954, with the exception of Mexico and Ecuador, are much higher than those of our National Government during the same period. Ecuador in 1955 even spent almost 15 per cent of her national income while our National Government has only programmed 13 per cent for fiscal 1957.

Of course statistical data justifying the need for more spending or showing how better we are than other countries are not enough indexes of economic growth; what really counts is the increment to the physical and material well-being of the individual.

Two-thirds of total public outlays are spent by the National Government mostly for operational expenses and partly for developmental purposes. The combined expenditures of provincial, municipal and city governments which go mainly to administration make up one-sixth of total spending by the public sector. The expenditures of public enterprises cover those 19 government corporations supervised by the Office of Economic Coordination and those enterprises outside the OEC group (but excluding the Central Bank and the Rehabilitation Finance Corporation). Government enterprises are established in the Philippines to provide essential goods and services in line with national interest, to pioneer in new risky business and to assist in meeting the demands of social and economic development. The breakdown of total public spending from fiscal years 1955 to 1957 classified by governmental unit are shown in table 3.

Since the National Government is the biggest spender among the units in the public sector, it naturally wields a strong influence in the pattern and direction of spending of the local governments and especially the government corporations. Budgetary authorizations in the National Government covering all funds (general, special, fiduciary and bond funds) have exceeded P1 billion since fiscal year 1955. But owing to the limitation of our finances, the interplay of some economic factors, and the pressure of politics, actual outlays differ from Congressional authorizations. The data below illustrate the comparison between authorizations and actual expenditures by the National Government.

Table 4
Congressional authorizations and actual expenditures
(million pesos)

Fiscal Year	Congressional Authorizations	Actual Expenditures	Excess of Authorizations over expenditures
1954-1955	1,003.8	809.2	194.6
1955-1956	1,582.2	1,013.0	469.2
1956-1957	1,183.5	1,215.6 †	(32.1)

† Estimated for the current fiscal year.

For the current fiscal year (1957), total outlays programmed by the National Government covering all funds

exceeded budget authorizations by P32.1 million. This increase is due to the inclusion of continuing appropriations. Some continuing appropriations and authorizations of previous years are postponed for future implementation owing mostly to lack of funds.

Expenditures from the general fund of the National Government alone increased at an estimated average of P42 million a year during the fiscal period 1946 to 1956. General fund authorizations for fiscal 1956 under Republic Act No. 1350 was set at P648.2 million; it was P228.1 million in fiscal 1946 or an increase of approximately 284 per cent. On the other hand, general fund receipts lagged behind. For the last 10 years it increased at an average of P36.5 million.

The causes of the upward trend in public expenditures are not new. They are the same problems that confront the underdeveloped countries of the ECAFE region during these postwar years. The chairman⁷ of the powerful Committee on Appropriations in sponsoring the 1957 budget observed the causes of the upward trend in spending by the National Government as follows:

"The rise in government expenditures in the Philippines is due to (1) the yearly increase in population by almost 2 per cent which requires an average increase of 20 per cent in normal peso value of government services; (2) the operation of some economic forces may cause the spiralling up of prices in the internal market; and (3) any sizeable program of economic development in order to solve unemployment and social unrest and to bring about economic stability."

The breakdown of expenditures by the local governments shows more outlays incurred by chartered cities compared to provincial or municipal governments. Manila alone spends practically 50 per cent of the total outlays of all the cities.

Total expenditures of the local governments fiscal years 1954-1956 (million pesos)			
	F.Y. 1954	F.Y. 1955	F.Y. 1956
Provincial Governments	72.1	76.4	78.2
Municipal Governments	53.4	61.7	68.8
Chartered Cities	76.9	82.5	85.5
Total	202.4	220.6	232.5

Briefly, spending by the public sector during the fiscal period 1955-1957, ranges from one-sixth to one-fifth of the gross national product. The private sector absorbs five-sixths to four-fifths of the output of goods and services by the national economy. Proper fiscal action by the government and total spending by the two sectors could achieve the desired degree of economic development.

Budgeting for Economic Development

The budget and the budgetary process are major instruments in planning and implementing programs for development. For the first time, the government budget has been given a new "face-lifting" by the National Government when the Fiscal Plan for 1957, embodying the economic policies and development programs for the year intended, was submitted by the President to Congress on February 6, 1956. In the past, the budget, except for a few scattered items with economic significance, was used strictly as an authorization basis in running the govern-

ment. Today, the national budget appears to be the means of rationalizing and controlling governmental programs designed to hasten the rate of economic growth. We have adopted fundamental reforms in the budget system which update the national budget and make it comparable with those in countries with budgeting experience along economic development.

Still, in the underdeveloped countries of today, experience with functioning budget system is limited. Only a few of them have succeeded in the development of budgeting and accompanying administrative skills that exceeded the basic requirements of economic development.

Classification for economic developmental outlays. The economic development outlays presented in this paper have been classified according to the criteria developed by the writers⁸ together with Dr. Amando M. Dalisay, Director of the Philippine Statistical Center (U.P.) in 1955. In order to determine the distribution of government expenditures over a wide range of government activities to be undertaken in the future, a classification according to purpose, i.e. a "functional classification," a modified classification is obtained which brings out the economic significance of public expenditures in all the main areas of government operations. A combined classification provides a useful means of analyzing the development element in government spending and studying its implications.

There is hardly any government activity which cannot be directly or indirectly linked to economic development. Somehow national defense and education cut across economic development just as agriculture and public works do more directly. But if all government activities are classified under economic development, then there will be no way of determining those activities that contribute more and in a direct manner to the raising of real income.

To begin with, government outlays are intended for two basic purposes—current operational (administration) and developmental (economic development). Under the modified or combined classification, economic development outlays may be grouped into capital expenditures and social overhead expenditures. The distinction of the types of economic development outlays is based on two criteria: (1) Will the public expenditures add to productivity or capital formation? This type of expenditure could be classified as capital expenditures. (2) What are the social overhead expenses that will assist in bringing the capital projects (or capital expenditures) to maturity? These may be classified as social overhead expenditures.

Capital expenditures are public investments that lead to the creation or acquisition of tangible assets. Some countries consider capital expenditures as those only contributing to economic development. They are investment for human beings. In this study current operating expenditures such as salaries and wages which have something to do with the completion of an economic project is considered part of capital expenditures. Social overhead expenditures are public expenditures made in those fields insofar as they may be considered as conducive to economic development. This is limited only to the three welfare areas of public education, public health, and housing and land reform. They are investment in human beings.

Thus, under capital expenditures may be classified the following: postal and telecommunication services, transportation and public works, agriculture and natural resources,

7 Tobias Fornier, 1956. The 1957 budget and Philippine fiscal policy. *Economic Research Journal* 3 (No. 1, June 1956): 3-8.

8 For a more detailed discussion on this subject see: Angel Q. Yoinco, 1955. Economic development outlays and the national budget. *Economic Research Journal* 2 (No. 3, December 1955): 110-125; Angel Q. Yoinco, 1956. The budget as a tool of economic development. Discussed in a seminar at the National Economic Council on May 4, 1956. (mimeographed)

commercial and industrial services, and counterpart for United States aid.⁹ The welfare areas of public education, public health, and housing and land reform constitute social overhead expenditures.

While this functional classification is not complete by itself and can still stand improvement, it can serve as a pattern in picking out and analyzing the items belonging to economic development against the items intended for normal governmental operations in the national budget.

Economic development outlays in the national budget. For lack of available statistics on the details of expenditures of government corporations and the local governments, only the outlays of the National Government in the annual budget and other money bills are classified and analyzed.

Table 5 shows the breakdown of developmental expenditures for fiscal years 1955-1957 in the national budget.

Among the projects for economic development covered in the 1957 budget proper are: extension of government telephone communication services, waterworks, land improvements, airports, tobacco industry and various public works and agricultural projects.

Together with the supplemental appropriations, economic development expenditures approved or authorized by Congress in fiscal year 1955 was P361.9 million. It nearly doubled in fiscal year 1956 (or 46 per cent of total money outlays for all funds). Since only P271.4 million was programmed during the same period, development outlays authorized for fiscal year 1957 was pruned down to P326.4 million (see table 6).

The table below shows that the National Government is seriously concerned with economic development by authorizing 30 to 45 per cent of the total money outlays (including the budget) or 4 to 8 per cent of the GNP during fiscal years 1955 to 1957 for this purpose. Owing to various reasons—such as actual income falling short of expected income, lack of proper planning and programming of some

Table 5
Economic development outlays in the national budget¹⁰
approved by Congress for the fiscal years 1955-1957
 (thousand pesos)

	F.Y. 1957	F.Y. 1956	F.Y. 1955
I. Capital Expenditures	P 74,936.3	P 78,838.7	P 75,841.3
1. Postal and Telecommunication Services	1,376.1	3,463.5	19.0
2. Transportation and Public Works	32,817.2	32,647.6	17,085.7
3. Agriculture and Natural Resources	1,818.0	508.2	806.6
4. Commercial and Industrial Services	7,400.0	97.4	200.0
5. Counterpart for United States Aid	31,525.0	42,122.0	57,730.0
II. Social Overhead Expenditures	P 40,923.6	P 32,913.0	P 17,283.3
1. Public Education	17,160.4	16,033.5	9,328.0
2. Public Health	3,763.2	3,879.5	3,487.0
3. Housing and Land Reforms	20,000.0	13,000.0	4,488.3
Totals	P115,859.9	P111,751.7	P 93,124.6

¹⁰ R.A. No. 1600 (FY 1957); R.A. No. 1350 (FY 1956); and R.A. No. 1150 (FY 1955).

Table 6
Total economic development outlays approved by
Congress in the fiscal years 1955-1957
 (million pesos)

	F.Y. 1957	F.Y. 1956	F.Y. 1955
1. Total money outlays (all funds)			
approved by Congress	1,183.5	1,582.2	1,003.8
2. Gross national product	9,394.0	9,121.0	8,856.0
3. Authorized for economic development	326.4	736.5	361.9
National budget	115.9	111.8	93.1
Supplemental appropriations	260.4	624.7	268.8
4. Economic development outlays expected to be programmed or released	165.0	271.4	164.9
National budget	115.6	111.7	93.1
Supplemental appropriations	49.4	159.7	71.8
5. Economic development outlays authorized as per cent of total money outlays (3/1)	27%	46%	36%
6. Economic development outlays authorized as per cent of GNP (3/2)	3.47%	8.07%	4.08%
7. Economic development outlays expected to be programmed or released as per cent of GNP (4/2)	1.75%	2.97%	1.86%

projects and heavy reliance on bond financing—economic development expenditures programmed and/or expected to be released during the period came up only to 50 per cent of the amounts authorized by Congress.

A number of estimates on capital-output ratio ranging from 3 to 5 have been presented for both developed and underdeveloped economies. It means that an increase in output and real income of 1 per cent may require net capital formation from 3 to 5 per cent of net national product.¹¹

The data above reveal that the National Government, while it absorbs an average of about 14 per cent of the national output of goods and services, has programmed or released only an average of P200 million or 2.2 per cent of the GNP a year for strictly developmental purposes. If we add the investments of government corporations and the local governments, gross investments contributed by the public sector might come up to about 5 per cent. But for an economy like ours, the ECAFE technical staff estimates that 9 per cent of the national income should go into investment each year to sustain the present level of living. Our yearly net investments for both the public and the private sectors is about 6 per cent.¹² It is obvious, therefore, that we should raise this figure if we are to improve our present levels of living. The problem is basically one of programming and fund releases and not for more legislative authorizations.

Financing Economic Development¹³

It is the established policy of the National Government to finance its current operating expenditures from current revenues and, if there is a surplus, it should take care of capital expenditures. This practice of budget balancing eliminates deficit spending for ordinary public expenditures. However, it is also our present practice to resort to borrowing or loan finance in meeting the needs of economic development and in meeting emergencies involving national calamities. Actually, budgetary receipts are hardly enough to meet the budgetary requirements of the government. In financing economic development, the banks and other financial institutions are practically the buyers of government bonds. Take the case of the public works and economic development bonds. Authorized under Republic Act 1000, P991 million of the P1 billion limit have been approved as of 1956 and over P250 million worth of these bonds have been sold by the Central Bank. This method of borrowing even if the proceeds are diverted to productive projects is still highly inflationary.

It is our feeling that a change in financing emphasis is called for. Sound public finance demands for more realistic policies. First, our tax system can still stand improvement so as to finance not only the normal operational expenses of running the government but also to take care of economic development outlays, particularly—social overhead expenditures. Second, borrowing (especially bank borrowing) should be reduced to strictly productive or self-liquidating projects selected from a table of priority in order to minimize the inflationary effects of increased development spending.

¹¹ For a more detailed discussion on this subject, see: Joachim Ahrensdoerf, 1956. Capital formation and public policy. *Economic Research Journal* 3 (No. 1, June 1956): 33-52.

¹² 1956. Maintaining economic development outlays (editorial). *Economic Research Journal* 2 (No. 4, March 1956): (165-66)

¹³ For more discussions on financing economic development in the Philippines see editorials of *Economic Research Journals*, Volume II, No. 4, March 1956; Volume III, No. 2, September 1956; and Volume III, No. 3, December 1956.

Meanwhile, it has been noted¹⁴ that "foreign investment, upon which many are relying as another source of development financing, is wary due to the lack of long-range government policy that is free from arbitrary and inconsistent regulations that are liable to change any minute. This shaky situation develops an unattractive and risky foreign investment climate. In historical perspective, little, if at all, foreign investment has come to this country. Foreign capital seems to be still awaiting the right time when it will be assured of ample profits."

On the other hand, our reparations agreement with Japan could fill up the gap left by foreign investment. Already some capital goods have been requisitioned from that country to supply the needs of some urgent government projects. The long-range lending portion (involving P250 million for a period of 20 years) of the agreement to private businessmen could accelerate economic development if all transactions are properly screened by the government.

Going back to the usual financing sources, perhaps a change in the pattern as outlined below might work out in the next few years.

1. General fund receipts must finance all outlays in an increasing proportion so as to reduce bond financing.
2. Bond fund must be reduced gradually except bond financing of self-liquidating projects.
3. Special and fiduciary funds must meet adequately the purposes for which they are intended.
4. Reparations must contribute to development financing in an increasing proportion.

Maintaining economic development expenditures will ultimately depend on increasing revenues. Additional revenues could be realized through: (1) a more progressive tax policy and more emphasis on direct taxation, (2) a more efficient tax collection in order to collect what is due to the government, and (3) improved public attitude on tax consciousness.

The local governments must be required to improve their finances, so that grants-in-aid and subsidies extended to them could be gradually reduced.

Government and the University

The task of development should not be regarded as a sole responsibility or a monopoly of the Government. The other sectors of the economy have their respective parts to perform in the process of economic development. The training of a qualified labor force is just as important as budgeting of limited fiscal resources or the programming of competing projects. The university is called upon to supply the men who will execute the various responsibilities of government. The university provides the technical know-how of the specialists and the professionals of the labor force.

The practice of gearing university courses or subjects to the needs of the government is a concrete illustration of cooperation between government and the university. Similarly, the practice of allowing government people to teach in universities makes possible fruitful discussions and academic scrutiny of the feasibility of textbook theories being put into actual practice.

The technical knowhow behind the projects already completed and programs being carried out by the government is the primary contribution of the university.

¹⁴ Op. cit. p. 185.

Conclusions and Recommendations

Contrary to the views expressed in some quarters, the National Government has been setting aside in the last three years a sizeable amount of funds for economic development. It has authorized as much as 30 to 45 per cent of the total yearly appropriations for this purpose. But because of lack of funds, only about 50 of these authorizations are either programmed or approved for actual implementation. Like in most underdeveloped countries, financing seems to be the problems here.

Briefly, our recommendations are as follows:

1. To place on the tax system the responsibility of financing both current operating and capital outlays. Borrowing should be resorted only to strictly productive or self-liquidating projects.
2. To anticipate in advance the financial needs required of the government for economic development in relation to the national income.
3. To develop a budgetary classification of developmental outlays in order to segregate developmental from non-developmental expenditures.
4. To improve the present performance budget so as to coordinate program goals with actual results and costs.
5. To budget all public capital outlays including public works for a period of several years by means of a capital budget¹⁵

In planning and budgeting for development, there is need for a realistic appraisal of projects and a sound analysis of the requirements of capital formation. This means that some analytical tools and statistics at the disposal of the economic planners and budget technicians must be on hand. The use of national income estimates and economic classification of government accounts for budgetary purposes has been found effective in advanced countries. While we are not behind in this trend, there might

be a point in bringing up our national income studies¹⁶ closer to planning and budgeting particularly for economic development. Alongside with this step, the traditional functional classification of government accounts must be supplemented by an economic classification, the latter being closely related to national income accounting.

"The national income accounts are benchmarks by which developmental programs can be assessed to determine whether they are realistic and to determine by how much per capita output can be raised. . ."¹⁶ The usefulness of national income accounting in an underdeveloped country is well established and generally recognized, but the construction of the accounts may be very difficult due to lack of adequate data and the conceptual problems that have to be resolved.

An improvement in classification does not always mean an abandonment of the existing system. In the case of an economic classification scheme, it is the means of establishing economic development outlays in a broader scope (and capital expenditures) as a separate category of budget expenditures.

The concept of performance budgeting which we have adopted since fiscal year 1956 is one of the steps that would assist in the careful planning of development projects and sound budgeting of capital expenditures, annually and over a period of years.

Economic development is a continuing process. It does not terminate with the end of each fiscal year. It is therefore the main task of the National Government to lead the public sector and the other sectors of the economy in raising per capita output and per capita real income consistent with an increasing population. This is so simply because the National Government is the only body which can direct the proper mobilization and utilization of both human and natural resources in the interest of national welfare.

¹⁵ The Philippine Statistical Association created late last year two research groups to study the various aspects of national income estimates of the Philippines.

¹⁶ Jesse Burkhead, 1956. Government budgeting. New York: John Wiley and Sons, Inc. pp. 475-477.

ECONOMIC LETTER FROM MANILA

Even though Japan and the Philippines have not yet fully agreed on the schedule of reparations goods to be sent to the Philippines in the second year of the program, an interim arrangement has been worked out to keep urgently needed items moving toward Manila. Negotiations on the schedule temporarily bogged down over the fact that the Philippines has asked for goods this year worth some \$57,000,000, while Japan is standing pat on its agreement to supply goods at the rate of only \$25,000,000 a year. Japanese sources expressed concern over the law which the Philippines passed this year to implement the Reparations Agreement. They fear that the law's stress upon using a large part of reparations goods to meet civilian needs will interfere with Japan's sale of consumer goods to the Philippines through normal trade channels.

The new industry which Hans Menzi will set up in Talakag in Bukidnon province in Mindanao will be a combined hemp plantation, hemp decorticating plant, and cigarette paper manufacturing operation. The project is a long range one which is expected to start actual production in three or four years. The company is still in the process of acquiring land to fill out the ultimate requirement for some 1,500 acres.

Talakag has been selected as the site of the project because of its quiet surroundings, its excellent soil and its possession of an abundance of the type of water needed for the paper factory. The waste from the abaca decorticating process will be used as raw material for the manufacture of the cigarette paper. The paper plant alone will require an outlay of about P8,000,000. The decortication of hemp manually is a declining industry and can no longer compete successfully with mechanical decortication. Machine decorticated hemp now commands a premium in world markets.

The United States Information Service libraries in Davao and Iloilo cities were turned over to the respective city governments. The American agency's offer to donate its collection of books—between 11,000 and 12,000 volumes in each library—plus equipment and furniture had been accepted by the Davao and Iloilo city councils. Both cities, in turn, have pledged to provide proper housing for the books and facilities.

American motion picture producing companies operating in the Philippines were given permission to remit part of

(Continued on Page 572)

HONGKONG NOTES AND REPORTS

Land & Buildings—Three big land transactions have just been concluded; the capital involved amounts to well over \$15 million. On Hongkong Island in East Point, Jardine Matheson and Co. sold a piece of land which is about 108,000 square feet. In Yaumati, Kowloon, a lot of about 5,226 sq. ft. at the corner of Parkes Street and Nanking Street was put up for auction last week and on Nathan Road, a site of about 12,300 sq. ft. formerly occupied by Nathan Theatre was auctioned a few days ago. Hongkong and Whampoa Dock Co. is also selling a large piece of land in Hung Hom; negotiations are still continuing.

In spite of the attractive profit in real estate business, leading commercial firms such as Dairy Farm & Cold Storage Co., Hongkong and China Gas Co. and Butterfield & Swire have been selling properties because they do not want to involve themselves in land speculation. With demand for land far exceeding the supply, offers made by these companies were quickly taken up by real estate promoters.

Meanwhile, the difficulty in selling new flats forced another real estate company into bankruptcy. The land at the corner of Parkes and Nanking streets mentioned above was put up for auction last week because the company which had prepared the site could not raise enough cash from advance sale of flats to pay off their debts and to finance the construction of a 10-storey building. The auction was ordered by the mortgagees; it is not yet known whether buyers who have paid cash for their advance purchases would get their money back.

Training of Waiters—Two Chinese restaurant owners have organized a school to train waiters in view of the increasing number of restaurants and hotels on both sides of the Harbour. More than 80 candidates have enrolled. The \$150, 3-month training course includes subjects such as etiquette, psychology, English and general knowledge on food and drinks. A diploma will be given after another month of practical training in a restaurant.

This school deserves whole-hearted support not only from those who are opening up restaurants but also from the general public. At present there are far too few qualified waiters even in leading hotels and restaurants. In addition to the ability of conversing in several dialects and the knowledge of food and drinks, a well trained "boy" should have the good sense of speaking only when spoken to, of retreating, after an order has been taken, to his post and of responding to orders from customers immediately and quietly.

Just before the war in 1940, the former owner of the Cafe de Chine in China Building also organized a training class for waiters. He recruited orphans and children from poor families and provided free food, uniform and lodging for them during a 6-month schooling. The value of this training is established by the fact that today over 50% of the graduates from that class hold positions as captains and house managers of various hotels and restaurants in Hongkong and Kowloon.

Unregistered Doctors—Government will arrange an examination next year for persons who possess medical qualifications not registrable with the Medical Council in Hongkong but wish to practise medicine in the Colony. At present there are a little over 600 registered medical and surgical practitioners in Hongkong. This figure does not include medical officers in government service and in military establishments and doctors working with the University of HK. The number of unregistered doctors is unknown but there are probably more than 500 in the Colony. They came mostly from China; many of them had received training in US.

United College—One year ago, the United College of Hongkong was formed by the amalgamation of five existing refugee colleges in the Colony. Early this month, the first group of 73 graduates of the College received their diplomas. The short history of the college was described by the President, Dr. F. I. Tseung, as follows: "In the past year, despite difficulties, financial and otherwise, we have set up a library, established two new departments (civil engineering and architectural engineering). At present we have nine departments on two campuses, one on Caine Road in Hongkong and the other on Farm Road in Kowloon with a total enrolment of 671 students. As soon as a college site is granted by Government, we shall build our new campus. The site selected is about 320,000 square feet on the hills off King's Road near the service reservoir and accessible by a newly constructed road connecting the Tin Hau Temple Road."

Agricultural Show—The 1958 Agricultural Show at the Yuen Long Public Middle School will take place from January 4 to 6. The Show is financed by Government and cash prizes totalling over \$20,000 are being provided. Trophies donated by local firms and organisations will be put up for competition. Although the Show is primarily organized for the farming community of the New Territories, all interested persons and firms can send in exhibits for display under following sections: livestock, poultry, eggs, rabbits, vegetables, fruits, field crops, handicrafts and farm implements, school exhibits, horticulture and forestry.

The "Coral Queen"—The 97-foot twin-screw motor vessel, "Coral Queen", built by the Pacific Islands Shipbuilding Co. for the Western Pacific High Commission was launched last week. The vessel has been completely shot-blasted and sprayed with pure zinc as a protection against corrosion. It is powered by twin diesels each developing 144 h.p. at 900 r.p.m. to give the vessel a service speed of 10 knots. The shipyard is also building a 200-foot pilot vessel, a 180-foot buoy tender, a 160-foot salvage tug as well as many small craft and barges. Construction will soon commence on a 97-foot vessel for the Governor of Borneo.

New Ferry Vessel—Yaumati Ferry Company's new vessel "Man Ching" was launched at the HK Shipyard on October 17th. This is the second Man Ching; the old Man Ching was a wooden vessel with a passenger capacity of about 200 whereas the new ferry is a steel vessel which will accommodate about 650 passengers.

Car Park—Construction of a 3-storey car park (for 420 cars) immediately in front of the new Star Ferry Course is nearing completion. Work on a second multi-storey car park at the southeast corner of the proposed City Hall will begin soon, to be completed before the end of next March; it will accommodate 205 cars.

Imports of Rice, Coal and Frozen Meat—Imports of rice in September totalled 17,568 tons (11,268 tons from Thailand, 4,790 tons from China, 1,290 from Cambodia, 220 from North Vietnam) compared with 48,066 tons in the previous month. Imports of coal amounted to 15,357 tons; China sent here 9,806 tons, India 5,059 tons, North Vietnam 492 tons. Frozen meat imports totalled 1,006 tons.

Seizures of Gold, Watches and Narcotics—115 pounds of gold, 160 watches, 1,420 grammes of morphine powder, 10,873 heroin pills and 2 taels of opium were among the contrabands seized by the Preventive Service during September. 39.5 taels of gold and 199 watches seized previously were confiscated during the month.

CATHAY PACIFIC AIRWAYS

TIME TABLE OF ALL SERVICES

		SUN.	MON.	TUE.	WED.	THUR.	FRI.	SAT.
		CX 177X	CX 723 ▲	CX 035X	CX 729 ▲	CX 725 ▲	CX 033X	CX 727 ▲
HONGKONG	dep.	0930	1400	1100	1830	1200	1100	1400
SAIGON	arr.	1215	—	—	—	—	—	—
	dep.	1300	—	—	—	—	—	—
BANGKOK	arr.	—	1625	1445	—	1425	1445	1625
	dep.	—	1710	1530	—	1510	1530	1710
KUALA LUMPUR	arr.	1655	—	—	—	—	—	—
	dep.	1740	—	—	—	—	—	—
SINGAPORE	arr.	1900	2120	—	2310	1920	—	2120
RANGOON	arr.	—	—	1705	—	—	1705	—
	dep.	—	—	1750	—	—	1750	—
CALCUTTA	arr.	—	—	2015	—	—	2015	—

Aircraft ▲ = DC. 6
X = DC. 4

* No traffic may be carried
* on the Sector indicated

		SUN.	MON.	TUE.	WED.	THUR.	FRI.	SAT.
		CX 728 ▲	CX 178X	CX 724 ▲ CX 036X		CX 730 ▲	CX 726 ▲ CX 034X	
CALCUTTA	dep.	—	—	—	2200	—	—	2200
RANGOON	arr.	—	—	—	0225	—	—	0225
	dep.	—	—	—	0310	—	—	0310
SINGAPORE	dep.	0730	* 0600	0800	—	0030	0730	—
KUALA LUMPUR	arr.	—	* 0720	—	—	—	—	—
	dep.	—	0805 *	—	—	—	—	—
BANGKOK	arr.	1015	—	1105	0545	—	1035	0545
	dep.	1120	—	1150	0700	—	1120	0700
SAIGON	arr.	—	1100 *	—	—	—	—	—
	dep.	—	1145	—	—	—	—	—
HONGKONG	arr.	1745	1830	1815	1430	0810	1745	1430

		SUN.	WED.	FRI.
		CX 315 ▲	CX 313X	CX 317 ▲
HONGKONG	dep.	1830	1530	1830
MANILA	arr.	2010	1810	2010
	dep.	—	1855 (D)	—
LABUAN	arr.	—	2245	—

		MON.	THUR.	SAT.
		CX 316 ▲	CX 314X	CX 318 ▲
LABUAN	dep.	—	0800	—
MANILA	arr.	—	1150	—
	dep.	0900	1235	0900
HONGKONG	arr.	1240	1715	1240

		SAT.		SUN.
		CX 201 †	↑	CX 202 †
HONGKONG	dep.	0900	arr. (T)	1615
PHNOM-PENH	arr.	1315	dep.	0800

† = DC. 3

		THUR.		FRI.
		CX 401 †	↑	CX 402 †
HONGKONG	dep.	1000	arr. T	1755
VIENTIANE	arr.	1445	dep.	0800

(T) Technical Stop at Tourane

PASSENGER FARES								
Port	Oneway Fare	Return Fare	Port	Oneway Fare	Return Fare	Port	Under 45 Kilos	Over 45 Kilos
				US\$	US\$		Ps.	Ps.
BANGKOK			SAIGON	VN\$	VN\$	MANILA		
to Calcutta	73.50	132.30	to Bangkok	5,900.00	10,620.00	to Bangkok	1.60	1.20
Hongkong	84.00	151.20	Calcutta	8,350.00	15,030.00	Calcutta	2.35	1.75
Manila	128.00	230.40	Hongkong	2,960.00	5,328.00	Hongkong*	1.16	0.86
Rangoon	35.20	63.40	Manila	5,200.00	9,360.00	Labuan	0.80	0.60
Saigon	168.50	303.30	Rangoon	6,030.00	10,854.00	Rangoon	2.20	1.70
Singapore	72.80	131.10	Singapore	2,160.00	3,888.00	Saigon	2.40	1.80
						Singapore	2.20	1.70
CALCUTTA	Rs.	Rs.	SINGAPORE	M\$	M\$	PHNOM-PENH	R	R
to Bangkok	350/—/—	630/—/—	to Bangkok	223.00	402.00	to Hongkong	35.00	32.00
Hongkong	735/—/—	1,323/—/—	Calcutta	434.00	782.00			
Manila	899/—/—	1,619/—/—	Hongkong	395.00	711.00	RANGOON	K.	K.
Rangoon	185/—/—	333/—/—		—	* 626.00	to Bangkok	1.35	1.00
Saigon	1,136/—/—	2,045/—/—	Rangoon	295.00	531.00	Calcutta	1.00	0.75
Singapore	675/—/—	1,215/—/—	Saigon	189.00	341.00	Hongkong	2.65	1.98
			VIENTIANE	Kips	Kips	Manila	5.19	3.88
HONGKONG	HK\$	HK\$	to Hongkong	4,075.00	7,335.00	Saigon	—	—
to Bangkok	480.00	864.00				Singapore	3.06	2.31
Calcutta	882.00	1,588.00	* THIRTY-DAY EXCURSION FARES					
Kuala Lumpur	664.00	1,195.00	Special Air/Sea Agreements exist for passengers travelling between Hongkong and Labuan, Hongkong and Singapore, Hongkong and Kuala Lumpur and Hongkong and Bangkok, under the terms of which return voyages can be arranged with travel by sea one way, and at reduced fares.					
Labuan	704.00	1,267.00				SAIGON	VN\$	VN\$
	—	*1,100.00				to Bangkok	—	—
Manila	372.00	669.00				Calcutta	—	—
Phnom-Penh	600.00	1,080.00				Hongkong	29.80	22.40
Rangoon	639.00	1,151.00				Manila	41.00	31.00
Saigon	483.00	870.00				Rangoon	—	—
Singapore	736.00	1,324.80				Singapore	19.20	14.40
	—	*1,168.00						
Vientiane	675.00	1,215.00				SINGAPORE	M\$	M\$
						to Bangkok	1.25	0.94
KUALA LUMPUR	M\$	M\$				Calcutta	2.65	2.00
to Hongkong	355.00	639.00				Hongkong	3.25	2.44
	—	* 600.00				Manila	3.30	2.50
						Rangoon	1.90	1.45
LABUAN	St. \$	St. \$				Saigon	1.70	1.30
to Hongkong	377.00	679.00				VIENTIANE	Kips	Kips
	—	* 589.00				to Hongkong	40.00	39.20
Manila	216.00	389.00						
						* Hongkong/Manila Minimum Charges HK\$4.06		
MANILA	Ps.	Ps.	CALCUTTA	Rs.	Rs.			
to Bangkok	256.00	460.80	to Bangkok	2.00	1.50			
Calcutta	377.60	679.80	Hongkong	3.63	2.88			
Hongkong	128.00	230.40	Manila	5.63	4.25			
Labuan	139.40	249.00	Rangoon	1.00	0.75			
Rangoon	319.20	574.60	Saigon	—	—			
Saigon	297.00	534.60	Singapore	4.00	3.00			
Singapore	360.00	648.00						
			HONGKONG	HK\$	HK\$			
PHNOM-PENH	R	R	to Bangkok	3.00	2.25			
to Hongkong	3,660.00	6,588.00	Calcutta	4.10	3.10			
			Kuala Lumpur	6.07	4.55			
RANGOON	K.	K.	Labuan	3.80	2.85			
to Bangkok	170.00	306.00	Manila*	3.36	2.49			
Calcutta	185.00	333.00	Phnom-Penh	5.75	5.25			
Hongkong	532.00	958.00	Rangoon	3.15	2.30			
Manila	760.00	1,368.00	Saigon	4.90	3.65			
Saigon	821.00	1,478.00	Singapore	6.07	4.55			
Singapore	459.00	827.00	Vientiane	6.60	6.46			
			KUALA LUMPUR	M\$	M\$			
			to Hongkong	3.25	2.44			
			LABUAN	St\$	St\$			
			to Hongkong	2.00	1.50			
			Manila	1.20	0.90			

HONGKONG AIRWAYS

VISCOUNT SERVICES TIME TABLE

All Local Time

Hongkong Manila	Hongkong Taipei	Hongkong Seoul	Hongkong Tokyo	Hongkong Taipei/Tokyo	Route	Tokyo/Taipei Hongkong	Tokyo Hongkong	Seoul Hongkong	Taipei Hongkong	Manila Hongkong
1 3 6 7	5	4	4	2 6	Frequency	3 7	5	5	6	1 3 6 7
HK3	HK7	HK5	HK9	HK1	Flight Number	HK2	HK10	HK8	HK6	HK4
*	X	X	X	X	Catering	X	X	X	B	*
1100	1745 1855	1000 1115(T) 1200(T)	0900 1230(T) 1315(T)	0900 1015 1100	lv HONGKONG ar ar TAIPEI lv ar OKINAWA lv ar SEOUL lv ar TOKYO lv ar MANILA lv	1655 1345 1255	1655 1315(T) 1230(T)	1600 1245(T) 1200(T)	1030 0715	1730 1400

(T)—Technical Stop. No Traffic Rights

X—Meal in flight.

*—Light refreshment.

B—Breakfast.

1—Monday

2—Tuesday

3—Wednesday

4—Thursday

5—Friday

6—Saturday

7—Sunday

PASSENGER FARES

Hongkong							
Manila		HK\$*	US\$**				
	O	372.00	64.00				
	R	669.00	115.20				
				Manila			
Seoul		HK\$*	US\$**				
	O	841.00	145.00				
	R	1513.00	260.90				
				Seoul			
Taipei		HK\$*	US\$**				
	O	400.00	70.00				
	R	720.00	126.00				
				Taipei			
Tokyo		HK\$*	US\$**				
	O	832.00	145.60				
	R	1498.00	262.10				

O: One way

R: Return

Ex: Excursion 30-day return limit

CARGO RATES

Hongkong							
Manila		HK\$*	US\$**				
	A	3.36	0.58				
	B	2.49	0.43				
				Manila			
Seoul		HK\$*	US\$**				
	A	5.80	1.00				
	B	—	—				
				Seoul			
Taipei		HK\$*	US\$**				
	A	4.00	0.68				
	B	3.00	0.51				
				Taipei			
Tokyo		HK\$*	US\$**				
	A	7.59	1.31				
	B	5.68	0.98				

A: Rate per kilo under 45 kilos. B: Rate per kilo 45 kilos and over.

* Acceptable in Hongkong only.

** Acceptable in local currency subject to Government regulations and fluctuating exchange rates.

† Directional from Seoul and applicable to U.N. personnel only.

‡ Subject to Government approval.

§ Via Hongkong.

Minimum Charges: Minimum charge for all cargo will be HK\$4 (US\$0.70) or the charge for 1 kilo (2.2 lbs.), whichever is the higher.

Newspaper Rate Between Hongkong and Taipei: Newspapers and periodicals originating from Hongkong and terminating in Taipei are charged at HK\$2.50 per kilo, subject to Minimum Charge rule.

BOOK REVIEWS

Horace Belshaw: Population Growth and Levels of Consumption
Published by George Allen & Unwin, London 1956
223 pp., 25/-

This book considers the practical problems of economic development in countries in which the prevailing outlook and a recent or probable increase in the rate of population growth make it difficult to escape from a 'Malthusian situation.' Professor Belshaw develops a valuable analytical apparatus with which he then examines the problems of capital formation, investment, economies of scale, innovations, and the effective supply of labour, all in relation to population growth. Drawing on his own wide practical experience in under-developed countries, he is able to integrate social, institutional and cultural factors with the economic. He concludes with some illuminating insights on international capital aid and technical assistance.

Professor Belshaw has had a particularly useful experience of practical affairs as well as in the academic field. At one time Economic Adviser to the New Zealand Government, he has spent the past ten years planning, directing and taking an active part in development programmes in South and South East Asia, the Middle East, Central America, and the Pacific Islands. He has been Economic Consultant to the Economic Commission for Asia and the Far East, a Divisional Director in the Food and Agriculture Organization, and a member of survey and advisory missions to Governments. This work combines incisive theory with a solid experience of practical possibilities. It is issued under the auspices of the International Secretariat of the Institute of Pacific Relations.

The following table of contents provides a good indication of the range of topics covered by this book:

Part I: Aspects of the Population Situation in Asian Countries.

- I The Population Situation
 - A. The Malthusian Dilemma
 - B. Demographic Conditions
- II Demographic Attitudes
 - A. Changes in Western Countries
 - B. Changes in Japan
 - C. Prospective Changes in Under-Developed Countries
- III Some Conclusions Summarily Stated

Part II: Some Fundamental Relations

- IV A 'Development' Equation
- V Economies of Scale
- VI Investment
- VII Savings
- VIII Population and Effective Supply of Labour
 - A. Introduction
 - B. Health and Labour Supply
 - C. Idle Time and Labour Supply

Reservations

Hongkong: Hongkong Airways, Alexandra House; Air Terminal, Peninsula Hotel Arcade, Kowloon. Tel. 64368 (24 hours service).

Manila: Warner Barnes & Company Ltd. Tel. 3-98-41, 3-98-43, 109-115 Juan Luna and at Manila Hotel, Tel. 3-60-71.

Seoul: Hongkong Airways, Bando Hotel, Tel. 2-8257.

Taipei: Eurasia Travel Service, 5 Pao Ching Road, Tel. 27681, 29148, 27785.

Tokyo: British Overseas Airways Corporation, San Shin Building, Yurakucho, 1 Chome, Chiyoda-Ku, Tel. 59-1261/7.

IX Innovations: Social Costs and Obstacles
X Innovations and Growth: Some Requirements

Part III: Conclusions

- XI Some Conclusions and Inferences
 - A. Summary Recapitulation
 - B. Approaches
- XII Some Observations on International Aid
 - A. Capital Aid
 - B. Technical Assistance

Appendix I Note to Chapter VI on the Utilization of Idle Labour

Appendix II The Community Project Approach

The book is a very valuable addition to the literature on the problems of economic development in Asia.

* * * *

R.N. Bhargava: The Theory and Working of Union Finance in India
Published by George Allen & Unwin, London 1956
308 pp. 30/-

This book is an original contribution to the study of the problems of public finance in a federal state. It defines the limits of some well-known concepts, such as taxable capacity and incidence of taxation. The problems of federalism, particularly those connected with the division of functions and resources, financial adjustment, double taxation and borrowing are then analytically examined in the light of the experience of major federations and particularly that gained in India.

This book brings out the need for correlating the fiscal issues with the nature and working of the national economy as a whole, and it emphasizes the role that public finance can play in economic development.

The author examines the post-war trends in Indian Union and State finance in some detail. To do this he has brought together a great deal of material not hitherto in any way readily accessible, which has enabled him to undertake a realistic assessment of the problems involved. The book will present a strong appeal to all those concerned with the problems of federalism and with public finance in general, to those interested in the present topical question of economic development and to readers with a special interest in India.

The following is the table of contents:

- I. Theory of Public Finance
- II. The Federal Idea
- III. Theory of Federal Finance
- IV. Division of Functions and Resources
- V. Problem of Financial Adjustment
- VI. Financial Adjustment in India
- VII. Double Taxation
- VIII. Problem of Public Debt
- IX. Financial Administration
- X. Trends in Union and State Finances
- XI. Taxation of Income
- XII. Taxation of Capital
- XIII. Commodity Taxation
- XIV. Other Taxes
- XV. Revenue from Public Enterprise
- XVI. Expenditure on Social Services
- XVII. Expenditure on Security Services
- XVIII. Expenditure on Defence
- XIX. Public Debt

— E. F. Szczepanik

ECONOMIC LETTER FROM MANILA

(Continued from Page 566)

their profits to the United States. The Central Bank granted the permission to remit an amount—not publicly specified—after the Motion Picture Export Association of America in the Far East had made a payment of P3,100,000 on back taxes assessed against them by the Philippine Bureau of Internal Revenue. The payment, representing taxes assessed on the producers' share of film rentals in the Philippines from April 23 last year to July 1 this year, was considered as the first concrete step in settling the controversy between the Philippine Government and the Hollywood movie makers. The money was paid "under protest," although it represents only part of the P20,000,000 which the B.I.R. seeks to collect in back taxes on U.S. movie earnings since 1950. The P3,100,000 was allocated in varying amounts among nine of the ten members of the Association. The tenth, Allied Artists, was not assessed by B.I.R. It was considered certain that the arrangements, although not conclusive or final, would at least forestall the threat of the picture makers to stop shipment of American films to the Philippines.

Lepanto Consolidated Mining Co. produced 3,876 tons of concentrates during September, estimated to contain 2,286,840 pounds of copper and 3,092 ounces of gold. Ore treated during the month amounted to 35,262 tons, with an average copper content of 3.40% and an average gold content of 0.112 ounce per ton. Paracale Gumaus Consolidated Mining Co. August production was valued at P81,414.38, based on a gold price of P120.00 per fine ounce.

Production consisted of bulk concentrates containing 619,498 ounces of gold; 1,491,054 ounces of silver; 14,206 pounds of lead, and 2,098 pounds of copper. Palawan Consolidated Mining Co. shipped 2,200 tons of chromite ore worth more than P232,000 to Europe, marking the initial entry of Palawan high-grade metallurgical chrome into the European market. Another shipment to Europe is scheduled for November. Samar Mining Co. tonnage treated at its Masara project in Davao during the month of August totalled 7,228 dry short tons. Estimated concentrate production included 131 tons of copper concentrates and 58 tons of lead concentrates. The concentrates had an estimated metal content of 49,268 pounds of copper, 44,794 pounds of lead, 724.38 ounces of gold, and 6,191 ounces of silver. In addition, 567.58 ounces of gold in bullion and Matte, and 534.09 ounces of silver were recovered from the cyanidation plant. The estimated value of the marketable metals recovered before smelter deductions and ocean freight charges during August was P192,216.

Republic Resources and Development Corp., a recently registered firm with a current capitalization of P2,000,000, announces the availability for public subscription of 155,000,000 unissued shares of its capital stock at the par value of one centavo per share. Original ownership of the firm is 100% Filipino. The company hopes in the near future to increase its capitalization of P15,000,000. The firm has exclusive mineral exploration concessions on more than 540,000 hectares of land in the Central Valley basin, Palawan-Mindoro region, western Visayas region, eastern Visayas basin and on the Agusan-Davao trough.

FINANCE & COMMERCE

THE AMERICAN STOCK MARKET

By E. Kann

After the customary summer rally American stocks displayed a downward tendency. Economic activities in the late summer slow-down. Causes for the recession are to be seen in the surplus production of non-ferrous metals, as copper, lead and zinc and the cancellation by the military authorities of certain previously placed orders for aircraft and missiles, or else stretching of such orders as regards delivery.

Aircraft products show the widest declines percentage-wise. At a previous occasion I have pointed out that aircrafts, notwithstanding their tremendously large back-logs, are cyclical stocks.

While their profit margins are subject to examination and control by government auditors, most of the companies had to contend with higher expenditure which they could not pass on in full to the buyers. In 1953, for instance, salaries and wages in the aircraft industry constituted 33.4% of sales; by 1956 the ratio had risen to 40.6%. The foregoing remarks do not forecast the doomsday of the aircraft industry in this country, but it must be realized that during recent months there has been some change in the basic planning in the defense department. Procurement policies probably will depend upon these new concepts combined with the international political climate. Furthermore, all the aircraft manufacturers are engaged in ardent research as regards

missiles, some of which surely are capable of replacing orders for conventional aircraft. Finally, the major aircraft factories are striving to obtain a growing extension of civil aircraft, which latter is growing in size and which leaves better profit margins. Viewed in this light, investors apparently would resume fairly moderate risks by stepping in when further dips in market prices become discernible.

Before tabulating the structures of the principal aircraft manufacturers, it is deemed useful to say a few words about the individual larger concerns.

Boeing Aircraft: is the largest manufacturer in its line; it works mainly for the airforce. Its plants in Seattle and Wichita employs about 71,000 men. The number of shareholders aggregates about 15,000. Sales in 1957 are estimated at \$1.2 billion; profits per share about \$6. Engaged in the output of Bomarc missiles, the latter with a 200 mile range.

Douglas Aircraft: has 3,706,000 common shares outstanding, but no bonds or preference shares. 1957 sales are estimated at \$1.1 billion. Earnings for 1956 amounted to nearly \$9 per share, and dividend was \$4. Has about 81,000 workers and 15,500 stockholders. Successfully trying to obtain more commercial business; civil planes sold last year were \$200 million. Has a strong position in missiles (Honest

John, Mike, Thor). Working capital in 1956 was \$87.4 million. Principal plants round Los Angeles.

Lockheed Aircraft: From the concern's 1956 annual report the following details are gleaned. Sales \$743 million; backlog at year-end \$1,598 million; working capital \$108 million; stockholders equity \$107 million; book value per share \$36.10. Though 1956 sales were above those of 1955, profits (\$15,073,000) were somewhat lower than for 1955. This was due to very high developing charges of the new Electra model, the cost of which (\$17,370,000) was written off entirely. Most factories near Los Angeles. Now building an atomic research facility in Palo Alto.

Various missiles are undergoing tests; amongst these is the Polaris.

United Aircraft: Like Curtiss Wright, United is not a plane manufacturer, but a producer of airplane engines. On the other hand, its Sikorsky division turns out Helicopters. Has 59,000 employees and 33,000 shareholders. Principal plants are located in Connecticut. 1957 sales are estimated to exceed 1 billion dollars. Backlog end of 1956 was \$2.3 billion. Working capital stands at \$138.4 million; book value per share at \$34.57. Has 5,141,000 common shares outstanding, apart from \$41 million preferred stock.

The following are highlights regarding aircraft stocks:

Name	Earnings per share			Indicated dividend	Recent price \$	Price ex 1956 earnings	Approximate yield %
	1954	1955	1956				
Boeing Airplane	\$4.92	4.66	4.82	\$1.00	38	8	2.6
Chance Vought	n.a.	4.41	3.81	1.60	33	8.7	4.8
Curtis-Wright	2.50	4.74	5.64	3.00	39	7	7.7
Douglas Aircraft	9.80	7.65	8.96	2.00	67	7.5	3.0
General Dynamics	3.07	2.82	4.14	2.00	57	13.8	3.5
Grumman	5.10	4.43	3.50	2.00	23	6.6	8.7
Lockheed Aircraft	7.94	6.12	5.10	2.40	37	7.3	6.5
Martin	7.85	4.92	3.73	1.60	30	8.1	5.3
North Amer. Aviation	3.23	4.71	3.59	1.00	25	7.0	6.4
Northrop Aircraft	2.62	7.89	3.28	1.60	24	7.3	6.7
Republic Aviation	6.10	10.02	5.01	2.00	24	4.8	8.3
United Aircraft	5.11	6.14	7.05	3.00	62	8.7	4.8

HK EXCHANGE MARKETS

U.S.\$

Oct.	T.T. High	T.T. Low	Notes High	Notes Low
21		H o l i d a y		
22	\$591½	590½	589½	587½
23	591½	590	589½	588
24	592½	591	590½	589½
25	592	591½	590½	589½
26	591½	591	589½	589½

D.D. rates: High 591 Low 588.

Trading totals: T.T. US\$3,670,000; Notes cash \$570,000, forward \$2,510,000; D.D. \$410,000. The market was active but fluctuation of rates small. In the T.T. sector, offers from Japan, Korea and the Philippines were quickly absorbed by general and gold importers. In the Notes market, speculators were quiet but shippers provided steady demand because the difference between T.T. and cash rates increased to over two points. Interest favoured sellers and aggregated HK\$9.14 per US\$1,000. Positions taken by speculators averaged US\$2 million per day. The D.D. market was also active.

Far Eastern Exchange: Highest and lowest rates per foreign currency unit in HK\$: Philippines 1.785—1.77, Japan 0.014—0.01385, Malaya 1.873, South Vietnam 0.07—0.06756, Laos 0.07—0.065, Cambodia 0.073, Thailand 0.2754—0.2739, Indonesia 0.1398, India 1.085. Sales: Pesos 320,000, Yen 75 million, Malayan \$330,000, Piastre 6 million, Kip 4 million, Rial 4 million, Baht 3 million, Rupiah 3 million, and Indian Rupees 150,000. **Chinese Exchange:** People's Yuan notes quoted \$1.75—1.37 per Yuan. The unofficial rate of remittance to China was \$100

for 55 to 60 Yuan as compared with the official rate of \$100 for 42.70 Yuan. The unofficial rate of remittance from China to HK was 100 Yuan for \$143 as against the official rate of 100 Yuan for \$234.19. Taiwan Dollar notes quoted \$0.16 per Dollar, and remittances \$0.153—0.152.

Bank Notes: Highest and lowest rates per foreign currency unit in HK\$: England 15.62—15.57, Scotland 14.00, Ireland 13.80, Australia 12.27—12.25, New Zealand 14.10, Egypt 9.70—9.50, East Africa 14.70, South Africa 15.52—15.45, West Africa 13.50, Jamaica 13.50, Gibraltar 13.50, Malta 12.50, Cyprus 12.50, Fiji 10.40, India 1.1745—1.174, Pakistan 0.78, Ceylon 0.95, Burma 0.52, Malaya 1.837—1.827, Canada 6.085—6.0375, Cuba 5.00, Argentina 0.125, Brazil 0.065, Philippines 1.7525—1.75, Switzerland 1.36, West Germany 1.365, Italy 0.0092—0.00915, Belgium 0.11, Sweden 1.02, Norway 0.72, Denmark 0.77, Netherlands 1.46, France 0.0125—0.0124, South Vietnam 0.072—0.0705, Laos 0.072—0.063, Cambodia 0.074—0.073, North Borneo 1.60, Indonesia 0.1325—0.13, Thailand 0.274—0.268, Macau 1.00—0.995, Japan 0.0144—0.01425.

Gold Market

Oct.	High .945	Low .945	Macau .99
21		H o l i d a y	
22	\$259¼	259	Low 257¼
23	259¾	259¼	
24	260¼	259¾	269¼ High
25	260	259½	
26	259¾	259¼	

Opening and closing prices were 259¾ and 259¼; highest and lowest, 260¼ and 259. The market was very quiet. Interest favoured sellers and

aggregated \$3.08 per 10 taels of .945 fine. Business averaged 5,400 taels per day and totalled 27,000 taels for the week, in which 14,440 taels were cash transactions (2,140 taels listed officially and 12,300 taels arranged privately). Positions taken by speculators averaged 13,000 taels per day. Imports from Macau totalled 9,500 taels. A shipment of 48,000 fine ounces reached Macau last week. Exports amounted to 9,000 taels (4,000 taels to Singapore and 5,000 taels to Indonesia). Differences paid for local and Macau .99 fine were \$12.80—12.30 and 11.70—11.50 respectively per tael of .945 fine. Cross rates were US\$37.88—37.86 per fine ounce; 48,000 fine ounces contracted at 37.85 cif Macau. US double eagle old and new coins quoted \$264 and 226 respectively per coin, English Sovereigns \$62 per coin, and Mexican gold coins \$279 per coin. **Silver Market:** 1,000 taels of bar silver traded at \$5.90—5.80 per tael and 1,000 dollar coins at \$3.74 per coin. Twenty-cent silver coins quoted \$2.90 per five coins.

HK SHARE MARKET

Price dip in the local stock exchange did not level off last week because there were still more sellers than buyers. With the exceptions of Providents, Watsons and Rubbers which registered fractional gains, most shares closed lower than the previous week. The Wall Street boom had no immediate effect on the local market; prices continued bearish although turnovers slightly increased: Monday, holiday; Tuesday, \$232,000; Wednesday, \$120,-

000; Thursday, \$428,000; Friday, \$745,000.

Investors were holding back on account of the uncertainty: there was neither any indication of a bull market nor sign of a deflationary burst. Over-sensitive speculators liquidated their holdings but the selling pressure was not very serious. Consequently drops in quotations during the week were

still fractional although many shares reached new lows.

Interest during the week was centred on Banks, Lands, Rubbers, Stores and Utilities. Other counters were quiet.

Dividend—Amalgamated Rubber Estates Ltd. will pay a final dividend of 15 cents per share for the year ended June 1957.

Share	Oct. 18	Last Week's Rate		Closing	Up & Down	Dividend	Estimated Annual Yield (%)
		Highest	Lowest				
HK Bank	845	845	835	835	-\$10	\$50	5.99
Union Ins	39 s	37	37 n	37 n	-\$2	\$3.40	3.91
Lombard	22.50	32.50	32.50 n	32.50	steady	\$2	8.15
Wheelock	8.90	8.75	8.70 n	8.75 n	-\$15c	75c	11.11
HK Wharf	120 n	122 s	118 s	118 s	-\$2	\$6	5.08
HK Dock	33.50 s	83 n	53 s	52 s	-\$50c	\$2	3.77
Provident	11.50 n	11.80	11.70	11.80	-\$20c	\$1	8.47
HK Land	34	33.75	33.50	33.50	-\$50c	\$3.50	10.45
Realty	140 s	—	—	1375 n	quiet	15c	10.91
Hotel	14.70 s	14.60	14.50	14.60	-\$10c	\$1	6.85
Trams	23	22.90 s	22.70	22.80	-\$20c	\$1.70	7.46
Star Ferry	121 n	131 n	130 s	130 s	-\$1	\$9	6.92
Yau-mai	160 s	99	98	98	-\$2	\$7.50	7.65
Light	18.60	18.50	18.20	18.40	-\$20c	\$1.10	5.98
Electric	27.50	27.50	27.20	27.30	-\$20c	\$1.80	6.59
Telephone	26.90	26.80	26.70	26.70	-\$20c	\$1.50	5.62
Cement	26.20 s	26.70 s	25 s	25 s	-\$1.30	\$4	16.00
Dairy Farm	16.20 s	16	15.90	16	-\$20c	\$1.63	10.19
Watson	12.90	13.10	12.90	13	-\$10c	\$1	6.69
Yangtze	6.45 s	—	—	6.45 s	quiet	65c	10.08
Allied Inv.	4.15 n	—	—	4.15 n	quiet	25c	6.24
HK & FE Inv.	9.90 n	—	—	9.90 n	quiet	80c	8.08
Amal. Rubber	1.50	1.525	1.50	1.525	+2½c	28c	18.36
Textile	4.35	4.40 s	4.35	4.35	steady	50c	11.49
Nanyang	9.55 n	—	—	9.55 n	quiet	\$1	10.47

SINGAPORE SHARES

An attitude of caution and a general dullness was reflected in the low volume of business during the week ended October 18th. Local markets have withstood adverse conditions extremely well, but inevitably the heavy falls in American and London stock markets have had some effect. Industrials, Tins and Rubbers recorded losses.

At the close there was selective buying of Industrials: Straits Times were in demand at \$3.85, Fraser & Neave at \$2.85 cum and Gammons at \$2.40. There were sellers of Straits Traders at \$2.22½ cum 60c per \$10 stock unit, Singapore Cold Storage at \$1.02, Metal Box \$1.95 cum rights and Malayan Cements at \$1.60. In the case of most of the remaining Industrials resistance was apparent at the lower levels. Although the recent daily fall in the three months metal price was arrested in the latter part of the week, tin shares, with few exceptions, continued to ease. Petalings were an erratic and active counter. Ready shares were at a premium as a short position had accumulated over the past month or so. Shares for immediate delivery changed hands up to \$3.30 and back to \$3.15. The disappointing Sungai Way output

of 5048 piculs for the quarter ended September resulted in business down to \$1.60 and Rantau drifted back to \$2.15 before attracting buyers.

Berjantai fell back to 17/6, Lower Perak to 17/9 and Kuala Kampar to 40/9.

In London registered tins Meru again registered a large exchange of shares up to 3/-. Anticipation that Killing-hall Tin will maintain its higher output resulted in a considerable turnover.

Jimah Rubber surprised the market with a 40% dividend, double that of last year. The market closed buyers \$2.25. The main turnover was in the London registered rubbers: Leilang Bahru, Bagan Serai and Lower Perak Rubber.

There was little turnover in local loans. This week the Legislative Assembly authorised the Singapore City Council to issue the unsubscribed balance of the 5% 1956 debenture stock (1966/76) at a 10% discount. Thus the remaining \$13 million will be issued at \$90 to give a redemption yield of approximately 5.85%. The Provident Fund has agreed to participate at this level.

TRADE REPORTS

Demand from Korea, Taiwan and SE Asia for paper, metals, chemicals and pharmaceuticals remained keen but trading volume in the local commodity market restricted mainly due to the fact that buyers considered prices here too high while local dealers complained that market quotations were in most cases lower than new indents. China produce retained the interest of British, European and Japanese buyers but spot transactions moderate because they obtained supplies from Canton direct whenever possible. Exports of HK products to UK, SE Asia and other markets however remained steady.

HK/China Trade—China bought only limited quantities of a few items of metals and pharmaceuticals from the local market. Canton, Peking, Tientsin, Shanghai and other Chinese ports curtailed purchases from here partly because market quotations, particularly those of metals, firmed recently. The chief reason however was China's current direct trade talks with European, British and Japanese businessmen now in Peking. In addition to heavy equipment and industrial supplies from these countries, China is also considering to buy wheat from Canada and cotton yarn from Pakistan. Reports from Peking revealed that both wheat and cotton crops this year are far from sufficient to meet the demand.

Imports from China consisted mainly of foodstuffs. Consignments of wool-oil and other popular staples as well as of paper and cotton piecegoods were restricted to small quantities; cement imports insignificant. Dealers who went to Canton for the purchase of medicinal herbs returned here disappointed; prices for various popular herbs immediately advanced in the local market.

HK/Japan Trade—The Japan Trade Exhibition at the Man Yee Building was opened last week. Exhibits on display ranged from household gadgets to diesel engines. The two-week show is organised by the Japan External Trade Recovery Organisation which has recently established an office in HK.

Imports from Japan last week totalled about 1,000 tons consisting chiefly of cotton textiles, woollen yarn and piecegoods, rayon yarn, blankets, fruits and cement. Dealers here booked more woollen knitting yarn, woollen piecegoods and paper from Japan but quantities were not very substantial because reexports of these items to SE Asia were rather uncertain.

Exports totalled 8,000 tons; iron ore constituted about 90% of the tonnage while consignments of scrap iron totalled only about 100 tons. Demand from Japan covered chiefly oilseeds of SE Asian origin.

HK/UK and HK/Europe Trade—Cargo movements to and from Europe

(including UK) were very active; imports totalled 6,000 tons from UK and 3,000 tons from Europe while exports amounted to 3,500 tons and 1,500 tons respectively. Dealers here booked more Christmas and winter goods from UK and Europe but indents for paper were held up in anticipation of lower offers. Exports of China produce declined mainly due to increased direct shipments from Canton and other Chinese ports to various destinations. Demand from UK for HK manufactures remained strong but exports to France continued to decline.

To promote trade between HK and Sweden, the Swedish East Asia Company in collaboration with Swedish Export Association arranged a floating exhibition of Swedish products on board the vessel "Bali" in Hongkong Harbour last week. The exhibition, representing some 130 Swedish firms, displayed paper, cellulose products and steels, as well as miniature models of machinery and illustrations of ore refining. HK products favoured by Swedish firms included cotton textiles and knitwear, torch batteries and cases, shirts and rubber footwear.

HK/US Trade—Shipments of rattan furniture, shirts, torch, gloves, fire-crackers and other HK manufactures to US slowed down after recent heavy exports. High freight charges for shipping rattan furniture to America will handicap future export of this item. Imports of Christmas goods, petroleum products, frozen meat, fruits, machinery and equipment, pharmaceuticals, sewing machines, blackplate, cosmetics and toilet articles, provision and tobacco totalled 2,000 tons last week. Low exchange rates for US dollars in the local money market encouraged dealers here to book more supplies from US during the past two weeks.

HK/Thailand Trade—Demand from Bangkok covered chiefly shirts, winter underwear and other knitwear, umbrella, plastics products, torch, enamelware and other HK manufactures. There were also orders for rosin, steel products and foodstuffs but quantities involved were much less than during previous weeks. Import of rice totalled 2,000 tons; but consignments of salt, cow hide, sesame and timber were limited to small lots.

HK/Indonesia Trade—Exports of cotton textiles, torch, sewing machines, pharmaceuticals and other merchandise to Indonesia totalled 1,000 tons last week. Demand from Djakarta however remained weak because importers there had to pay a high premium for foreign exchange certificates to cover their purchases. The Indonesian Government recently granted subsidies for essential imports including rice, milk powder, textbooks and technical publications and fertilizers, etc. but purchases were mostly made from US.

HK/Malaya Trade—Demand from Singapore and other Malayan ports for

HK manufactured enamelware, hurricane lantern, torch and batteries, plastics products and knitwear improved because Indonesia resumed the purchase of these items from various Malayan markets. Orders from Singapore for groundnuts, beans, gypsum and sundry provisions however covered only small quantities.

HK/Philippines Trade—In addition to some cotton yarn and cloth booked from local mills at the beginning of this month, Manila last week ordered metalware, plastics toys and Christmas decoration items such as bulbs, paper lanterns, etc. from here. Import of sugar slowed down.

HK/Korea Trade—Seoul's purchases of various types of paper from here slowed down because many items were short stocked here; several orders were placed through local dealers for direct shipment from US and Europe to Korea. Demand for woollen knitting yarn improved but enquiries for structural steels, plates and pharmaceuticals were not keen; many orders fell through because buying offers were too low to interest local dealers. Seoul also invited tenders for the supply of sugar; dealers here believe that the order will probably be placed with Taiwan or Indonesia.

HK/Taiwan Trade—Taiwan continued to ship sugar to the local market but bought only insignificant quantities of chemicals and pharmaceuticals from here.

HK/Cambodia Trade—Imports of rice, beans, oilseeds and live pigs from Phnompenh slowed down because indents were too high. Exports of wheat flour, cotton textiles, metalware and other HK manufactures to Cambodia totalled 1,000 tons. Purchases from here last week were limited to a few items of metals and foodstuffs. Foreign exchange allocated by Phnompenh recently covered mostly imports of cotton textiles, cement and other supplies from Japan.

HK/Vietnam Trade—Cargo movements between HK and Vietnam were quiet. Saigon invited tenders for the supply of air conditioning units, broadcasting equipment, automobiles and tractors. Response from local dealers cool.

HK/Burma Trade—In addition to orders for small quantities of menthol crystal, old newspaper, gunny bags, groundnut oil and foodstuffs, Rangoon enquired for 30,000 bales of cotton yarn and 27 million yards of cotton cloth. Exports last week totalled 1,500 tons consisting of about 50% Chinese paper, glass, and foodstuffs.

HK/Ceylon Trade—Exports to Colombo covered by previous orders totalled 1,000 tons; principal items were dried chilli, garlic, cotton textiles, enamelware and green pea.

HK/Australia Trade—About 500 tons of wooltops, woollen yarn, frozen food, cow hide, fruits, canned food, milk powder and other dairy products reach-

ed here from Australia. Exports quiet.

HK/Africa Trade—Exports went chiefly to South Africa amounting to 1,000 tons last week; principal items were cotton textiles, shirts, enamelware, torch and other metalware. Imports came from East and South Africa totalling 800 tons and 400 tons respectively and consisting mainly of groundnut oil, groundnut, tobacco, cotton and tanning extract.

China Produce—British and European firms here booked 300 tons of groundnut kernel, 100 tons of wood-oil and small lots of hog casing, citronella oil, rosin, sesame and walnut meat from Canton; shipments will be made direct from China to European ports. Chinese traders here also obtained some sesame, rosin, woodoil, green pea and citronella oil from Canton and offered these items to Japan, Australia, Canada, Thailand and Ceylon. Demand from Japan for sesame however far exceeded the supply from China; Thai and Cambodian products were taken up. Demand from Burma and Singapore for groundnut oil checked the dip but heavy supply prevented further improvement. Bean oil also sluggish with only Singapore buying insignificant quantities from here. Trading in other items quiet.

Metals—Local demand for factory items such as plates and structural steels remained very strong. China continued to absorb steel plate and waste waste from here but quantities involved were very small because prices had firmed considerably during the past two weeks. Exports to SE Asia slowed down mainly because Japan had recently offered to supply Thailand and other countries with round bars and other steel products at cut-throat prices. Demand from Japan for scrap iron stimulated the market but there were still more enquiries than orders; buying offers remained low.

Paper—Local stock of newsprint in reels dwindled after recent heavy purchases by South Korea; prices however eased slightly last week on account of lower indent offers from US and Europe. Cellophane also marked fractionally lower in line with reduced UK indents. Other items remained firm on steady demand from Korea and other buyers but the volume of business concluded was small because many popular items were short stocked. Dealers here booked some replenishments from Japan but restricted orders to a few items only because indents were not attractive enough. Supply from China inadequate; only small lots of newsprint in ream, bond, flint, poster and woodfree printing. Local demand for newsprint in ream, woodfree printing, poster, m.g. white sulphite, m.g. cap, bond, cellophane, duplex board and straw board remained steady.

Pharmaceuticals—There were more enquiries than orders from Korea,

China, Taiwan and SE Asia for penicillin preparations, dihydrostreptomycin, sulfonamides and other fine chemicals. Most transactions fell through either on account of inadequate stock here or because of low buying offers.

Industrial Chemicals—Prices for acetic acid, citric acid and ammonium bicarbonate steady on short stock. Ammonium chloride firm on increased cost and enquiries from Taiwan while shellac improved slightly on marked up indents. Local factories provided steady demand for calcium hypochlorite, shellac, chlorate of potash, petrolatum, gum arabic and copal, rubber accelerator and ultramarine blue but quantities involved were insignificant.

Cotton Yarn—The spot market was quiet. HK brands remained firm; in addition to orders from Laos, Cambodia, Philippines which reached here early this month, Burma last week enquired for 30,000 bales of various counts. Pakistan yarn quiet because prices advanced too much; indents remained high on account of the fact that Karachi was anticipating large orders from Peking. Korean yarn steady on strong local demand. Japanese yarn eased slightly but turned steady towards week-end.

Cotton Piecegoods—HK grey cloth retained strong export and local demand; Burma again made enquiries for substantial quantities of this item. Chinese grey however weak because Japanese products were marked down. Japanese white shirting remained firm on steady local demand.

Rice—Better local demand and firmer Bangkok quotations kept prices here steady in spite of new arrivals from Thailand.

Wheat Flour—Trading remained slow. Prices turned steady because imports slowed down and Australian indents firmed. Taiwan sent here a trial shipment of 667 bags.

Sugar—Taiwan granulated remained sluggish because supply still exceeded demand while the arrival of new crop sugar was anticipated. HK Taikoo products steady after recent dips. Philippine brown also steady on curtailed imports but Indonesian brown dipped under selling pressure.

Cement—Local demand for HK, Japanese and Chinese products remained very strong but exports slowed down. Prices firmer because imports from Japan slowed down while supply from China curtailed.

Gunny Bags—Revived demand from Thailand stimulated prices for used bags in the local market. New bags also advanced because demand from Singapore and Burma improved. Trading volume small because stock here not heavy.

Woollen Knitting Yarn—Imports of woollen knitting yarn from UK, Australia and Japan increased with the approach of cold weather. British and Australian brands are much more expensive than Japanese products. One firm here is dyeing Japanese knitting yarn locally to cut down the cost even further. Consequently there are so many brands here that buyers will have to be very careful in choosing the right quality. A local worsted mill also produces woollen yarn for local consumption and for exports; Korea recently booked about 200,000 pounds from this mill.

HONGKONG COMPANY INCORPORATIONS

Following new limited liability companies were incorporated during the fortnight ended Sept. 21, 1957; all capital is nominal in HK\$—

Kwong Wo Investment and Mortgage Co.—Capital, 1 million; 16 Sau Chuk Yuen Road, Kowloon; Subscribers: Lo Tai Lok, 16 Sau Chuk Yuen Road, Kowloon, merchant; Wong Mee Yuk, 38 Fuk Wah Street, Kowloon, married woman; Yu Kwan, 38, Fuk Wah Street, Kowloon, married woman. **The Mercantile Shipping Co.**—Shipowners; Capital, 500,000; Subscribers: Pao Sui-loong, 4 North Point Terrace, Hongkong, merchant; Zee Yun-shin, 12A Kai Yuen Terrace, Hongkong, merchant. **Sterling Products**—Importers & exporters; Capital, 50,000; 99/101 Bedford Road, Kowloon; Subscribers: Marshall G. Laing, 2 Queen's Road Central, Hongkong, solicitor; I. R. A. MacCallum, 2 Queen's Road Central, Hongkong, solicitor. **The World-Wide Co.**—To act as managers for any company & person; Capital, 500,000; Subscribers: Pao Sui-loong, 4 North Point Terrace, Hongkong, merchant; Zee Yun-shin, 12A Kai Yuen Terrace, Hongkong, merchant. **Cheong Loong Investment Co.**—Capital, 1 million; 140 Wing Lok Street, Hongkong; Subscribers: Chan

Ying For, 35 Kimberley Road, Kowloon, merchant; Lau Kam Mow, 14 Yuk Ming Street, Hongkong, merchant. **Wing Cheung Investment Co.**—Capital, 500,000; 26 Wing Lok Street, Hongkong; Subscribers: Lui Chung Tak, 2 Magazine Gap Road, Hongkong, married woman; Chiang Kui Un, 25 Ferry Street, Kowloon, merchant. **Wolhardt Brothers**—Manufacturers, importers & exporters; Capital, 500,000; 610 Alexandra House, Hongkong; Subscribers: W. C. Hung, 1 Des Voeux Road Central, Hongkong, solicitor; Li Fook Shu, 610 Alexandra House, Hongkong, chartered accountant. **Eastern Associated Investment Co.**—Capital, 1 million; 219-221 Union Building, Hongkong; Subscribers: Earnest C. Wong, 1069 Tung Choi Street, Kowloon, merchant; Li Pak Tat, 15 Robinson Road, Hongkong, merchant; Peter P. F. Chan, 70 Macdonnell Road, Hongkong, merchant. **Nankai Co.**—Importers & exporters; Capital, 100,000; 209 Hongkong Hotel Building, Hongkong; Subscribers: Cheung Kong Shing, 117 Chatham Road, Kowloon, merchant; Song Chi Chong, 117 Chatham Road, Kowloon, merchant. **Deens**—To deal in securities; Capital, 100,000; 1 Des Voeux Road Central, Hongkong; Subscribers: P. A. L. Vine, 1 Des Voeux Road Central, Hongkong, solicitor; Raymond E. Moore, 1 Des Voeux Road Central, Hongkong, solicitor. **Guan Guan Enterprises (Hongkong)**—Shipowners; Capital, 1 million; 173 Wing Lok Street West, Hongkong; Subscribers: Thio Keng Tiong, 173 Wing Lok Street West, Hongkong, merchant; Chan Gim Kheng, 173 Wing Lok Street West, Hongkong, merchant. **Hip Shing Co.**—Motion picture exhibitors; Capital, 500,000; 5-19 Jardine's Bazaar, Causeway Bay, Hongkong; Subscribers: Wong Lau, 21 Caine Road, Hongkong, director; Ho Chun, 21 Caine Road, Hongkong, married woman. **Tai Hing Cotton Mill**—Capital, 10 million; 519 China Building, Hongkong; Subscribers: Chen Pa-kong, 302 Hennessy Road, Hongkong, merchant; Kung Shiang-shu, 10 Monmouth Terrace, Kennedy Road, Hongkong, housewife. **The Toa Kwan Co.**—To run schools; Capital, 100,000; 4-6 Soares Avenue, Kowloon; Subscribers: Wong Chit Sang, 1 Ema Avenue, Kowloon, merchant; Wong Shing Wai Shook, 1 Ema Avenue, Kowloon, married woman.